BOARD OF DIRECTORS

Thursday, December 7, 2000

Clarion Hotel
San Francisco International Airport
Millbrae, California
(650) 692-6363

9:30 a.m.

1. Roll Call ....

2. Approval of the minutes of the **October 12, 2000** Board of Directors meeting.. .... .702

3. Chairman/Executive Director comments.

4. Discussion, recommendation and possible action relative to a final commitment on the following projects: (Lim Warren)

NUMBER	PEVELOPMENT	LOCALITY	UNITS	
00-028-N	Willow Glen Senior Apartments	San Jose/ santa Clara	133	
Resolution 00-37..				.812
00-035-S	Vista Las Flores	Carlsbad/ San Diego	28	
Resolution 00-38..				..834
00-036-N	Ambassador Hotel	San Francisco/ San Francisco	134	
Resolution 00-39..				..856
00-037-N	Padre Apartments	San Francisco/ San Francisco	41	
Resolution 00-40.. .... :.				..872

5. Discussion, recommendation and possible action relative to a final commitment modification on the following project: (Linn Warren)

NUMBER	DEVELOPMENT	LOCALITY	UNITS
97-033-N	Britton Street Family Housing	San Francisco/ San Francisco	92

6. Discussion and possible action relative to Board authorization for the Executive Director to enter into a contract or contracts for marketing services. (Terri Parker)

7. Other Board matters/Reports.

8. Public Testimony: Discussion only of other matters to be brought to the Board's attention.

9. An informational workshop will immediately follow the Board meeting on the following topics:

   a) Discussion of CHFA's use of interest rate swaps with variable rate bonds. (Ken Carlson, Director of Financing, and CHFA consultant Peter Shapiro, Swap Financial Group). 910

   b) Overview presentation on insurance coverage for Director Liability as it relates to state officials. (Daniel Howell, J.D., CPCU, Senior Vice President, Robert F. Driver Co., Inc.)

NOTES

WORKING LUNCH: Due to the anticipated length of the CHFA Board of Directors Meeting, the CHFA Board Members will be working through lunch to complete all items on the Agenda.

HOTEL PARKING: Parking is available as follows: 1) overnight self-parking for hotel guests is $12.00 per night; and 2) rates for guests not staying at the hotel is $2.00 for the first two hour period, $2.00 for the second two hour period, and $1.00 per additional hour (up to 10 hours).

FUTURE MEETING DATE: Next CHFA Board of Directors Meeting will be January 11, 2001, by the San Francisco Airport. Location to be determined and announced shortly.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

The Clarion Hotel
San Francisco International Airport
401 East Millbrae Avenue
Millbrae, California

Thursday, October 12, 2000
9:30 a.m. to 12:44 p.m.

"Minutes approved by the
Board of Directors at its
meeting held: ____________

Attest: ________________"

Reported and Transcribed by: Ramona Cota

I N D E X

A P P E A R A N C E S

Directors Present:

CLARK WALLACE, Chairman

BETHANY ASELTINE

JULIE I. BORNSTEIN

EDWARD M. CZUKER

ANGELA L. EASTON

CARRIE A. HAWKINS

ROBERT N. KLEIN II

THERESA A. PARKER

JEANNE PETERSON

Staff Present:

SANDY CASEY-HEROLD, Acting General Counsel

JOJO OJIMA

For the Staff of the Agency:

KENNETH R. CARLSON, Director of Financing

GREG CARTER

JOHN G. SCHIENLE, Director, California Housing Loan Insurance Fund

JERRY SMART

LINN G. WARREN, Director, Multifamily Lending

KEN WILLIAMS, Acting Director, Single Family Programs

Counsel to the Agency:

STANLEY J. DIRKS, Orrick, Herrington & Sutcliffe

Members of the Public:

LYDIA TAN, BRIDGE Housing

P R O C E E D I N G S

THURSDAY, OCTOBER 12, 2000 MILLBRAE, CALIFORNIA 9:30 A.M.

CHAIRMAN WALLACE: Good morning. I would like to call the meeting to order of the California Housing Finance Agency's Board of Directors. If that is not what you are here for you should go check the schedule outside the door. Secretary, call the roll, Item 1.

ROLL CALL

MS. OJIMA: Thank you. Ms. Peterson for Mr. Angelides?

MS. PETERSON: Here.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Here.

MS. OJIMA: Ms. Contreras-Sweet?

(No response).

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Here.

MS. OJIMA: Ms. Easton?

MS. EASTON: Here.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Here.

MS. OJIMA: Mr. Hobbs?

(No response).

MS. OJIMA: Mr. Klein?

(No response).

MS. OJIMA: Mr. Mozilo?

(No response).

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Here.

MS. OJIMA: Mr. Gage?

(No response).

MS. OJIMA: Ms. Aseltine for Mr. Nissen?

MS. ASELTINE: Here.

MS. OJIMA: Ms. Parker?

MS. PARKER: Here.

MS. OJIMA: We have a quorum.

CHAIRMAN WALLACE: We have a quorum, wonderful. I understand that we have got one more coming; I think Mr. Klein is supposed to be here. Dick LaVergne is apparently waylaid in San Pablo with a car breakdown. Now call the roll to see how many want to wait until he gets here. (Laughter). No? I don't think so. He was good enough to call. He's on his back in a cast with a cell phone. No, not true, I think his car is waylaid,

APPROVAL OF THE MINUTES OF THE AUGUST 10, 2000 MEETING

Let's go to Item 2, approval of the minutes of the August 10, 2000 Board of Directors meeting. I have a couple of minor technical corrections. If you will turn to page 704 in the upper right hand corner of your agenda. It lists Linn 3. Warren as Chief of Multifamily Lending, which he was, but we probably should add, *and Acting* Director. Chief of Multifamily Housing and Acting Director. Chief and Acting Director, Multifamily Housing. Let's try that. You want more, Linn?

MR. WARREN: No, that's sufficient, Mr. Chairman, thank you.

CHAIRMAN WALLACE: Okay. And if you will further turn to page 732 you will note on lines 8 to 14 Ms. Peterson raised a question. On line 15 this erudite response was attributed to me. There is no way, no how I could have said that, it should have been Mr. Warren responding to that. I have run it by him and he says that sounds a lot like him so I would like you to just cross out Chairman Wallace, Ramona, and put in Mr. Warren. Okay? Or you want to do that, JoJo? Or do you both?

MS. OJIMA: We'll both do it.

CHAIRMAN WALLACE: Okay. Any other comments or additions or amendments to the minutes? If not the Chair will entertain a motion of approval as amended.

MS. BORNSTEIN: I'll move approval as amended.

CHAIRMAN WALLACE: Julie. And seconded by?

MS. PETERSON: Support.

CHAIRMAN WALLACE: Ms. Peterson. Who certainly would corroborate that I would not have given her an answer like that on 732. Okay, any discussion by the Board? By the audience? Hearing none, Secretary call the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Abstain.

MS. OJIMA: Thank you. Ms. Hawkins?

MS. HAWRINS: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: We don't have a quorum.

CHAIRMAN WALLACE: Throw the minutes out. Why don't you vote -- Did you even --

MS. EASTON: I read them.

CHAIRMAN WALLACE: Did you?

MS. EASTON: Yes, indeed.

CHAIRMAN WALLACE: Why don't you qualify, we have done this before, that you will vote in favor, acknowledging the fact that you were not in attendance but have read the minutes.

MS. EASTON: Having read the minutes I vote in favor of approving them.

MS. OJIMA: Thank you.

CHAIRMAN WALLACE: Fine. Thank you, Angela.

MS. OJIMA: The minutes have been approved.

CHAIRMAN WALLACE: Okay, the minutes have been approved.

CHAIRMAN/EXECUTIVE IR [illegible] NTS

Going on to [illegible] 3, wh[illegible] is Chairman and Executive Director's comments. I thought I wouldn't have any but I do have one or two quick ones. Shed a collective tear that Bethany is going to be leaving us and rising to greater heights. I think she is going over to HCD, right?

MS. PARKER: Julie is looking pretty smug over there.

MS. BORNSTEIN: Mr. Chairman, with all due respect, I don't agree with you shedding a tear. We are actually kicking our heels and cheering for joy.

CHAIRMAN WALLACE: Well, that means you get to shed a collective tear with us on the one hand and click your heels and jump for joy on the other. Would you do that just now?

MS. BORNSTEIN: Yes. I did it so fast you just didn't see it.

CHAIRMAN WALLACE: You got that right.

MS. BORNSTEIN: We are pleased as punch to have her join us.

CHAIRMAN WALLACE: I bet you are. We are sorry, Bethany, and we thank you for the service to the CHFA Board of Directors.

MS. ASELTINE: I thank you all as well. It has been a real pleasure working with such a committed group of public servants. The CHFA staff has been wonderful to me as well. It has been a real pleasure working with you all.

CHAIRMAN WALLACE: Thank you, Bethany. Now all is not lost because, as I understand it, Lupita Ochoa is here and is going -- Lupita, if you would stand up and take a bow. She will be joining us. She is sitting in here getting adult education today and she will start officially on December 7, I hope, which will be our next meeting. So a kind of in advance welcome to the Board and we will see you on December 7, Lupita. And best of everything to you, Bethany.

MS. ASELTINE: Thank you.

CHAIRMAN WALLACE: You lucky guy.

MS. BORNSTEIN: We try to be as smart in our choices as we can be, and in this case, I think we're absolutely as smart as anybody in the universe could be in this selection.

CHAIRMAN WALLACE: It's rank piracy, but effective. Very good. The next item I had is to again remind you that December 7 is our next meeting. Whereas I am very hopeful this is going to be a fairly short meeting, relatively short meeting, we are going to make it up on December 7 because right now we have got six projects, possibly. They may not all materialize, but we have the potential for six projects; plus our workshop which we voted to hold in conjunction with that meeting.

I am going to suggest that your flight reservations -- We could go to 2:30 or 3:00, I suspect. We may not but we could, so I am going to suggest that you not schedule any flight reservations before 3:30-ish anyway, maybe 4:00. So with that heads up, school is still out but we could have a longer meeting, and we had previously agreed to do so. Any questions on that? With that, let me lateral it to Terri who had a number of items to bring you current on.

MS. PARKER: Mr. Chairman, thank you. And while we are introducing people I just would want to point out for everyone that Sandy Casey-Herold is our Acting General Counsel. She is officially Acting General Counsel because we actually had discussions with DPA to be able to compensate her for her stepping up with Dave Beaver stepping down. And she will be Acting General Counsel in the interim as we are going through our recruitment process to hire, on a permanent basis, a General Counsel for the California Housing Finance Agency. So I just wanted to make sure that Sandy's name will be officially entered into the record as the Board Secretary.

(Mr. Klein entered the meeting

room.)

A couple of quick items. I just want to do a short update on where we are on the bond cap and tax credit issues in Congress. We are down to the wire on this. I think Jeanne and I are both -- we have got every body part crossed we possibly can that something is going to happen between Congress and the White House in the next week or two. Clearly, there is the House version of the community renewal bill that has a phased-in bond cap and tax credit increase.

Chairman Roth was going to introduce a Chairman's mark to a community renewal bill in the Senate; however, that got bogged down with a tremendous amount of other items added to it. So what the Senator ended up doing instead was introducing his mark as a version of community renewal that hopefully could be used in any negotiations for an amendment to a budget reconciliation between the White House, the House and the Senate. Hopefully, there will be discussions about some last-minute deal.

The benefit of the Roth amendment is that it has full and immediate bond and tax credit cap increases immediately, which is obviously very, very important to California. The Governor has sent yet a third letter to the President on this item, talking about the necessity of an immediate caps now. Julie and I had some conversations last week with the caucus chair of the California delegation to try to get a caucus letter, a bipartisan caucus letter out to the leadership and the President on this. So we continue to be using every available mechanism. The National Council of State Housing Finance Agencies is also very front and center on this issue so that we can continue to be sort of a squeaky wheel.

And recognizing the role that we have been playing in California in totality, whether it be from the Treasurer's Office, HCD, CHFA, the Governor's Washington Office -- When the National Council met in their annual meeting in San Francisco a couple of weeks ago--they give an award every year to recognize a state agency for sort of beyond the call of duty lobbying activities--and California was recognized as Ear as leadership capacity.

John McEvoy said some very, very generous words to all of us and essentially said if every state did what California did in getting the bond cap and tax credit increases now we'd see no problem. I wanted to relay to all of you -- obviously, a recognition of what we are doing. The proof will be to see if we can, in the next week or two, actually realize the benefit of this so we that we don't have to go after these increases in the future.

CHAIRMAN WALLACE: Terri, what is the status of the California delegation's supporting members versus non-supporting. It used to be about --

MS. PARKER: We continue to have 91 percent of the California delegation signed on to both bills. The entire Congress is up to 86 percent. We have five members that we have not been able to move on this item. But 91 percent, given we have got 54 members, is an incredible amount. I mean, some states have 100 percent, you know. I wish I only had five members and I could get 100 percent too. People recognize that even though it's 91 percent of California, it's a significant amount. And with the Governor essentially weighing in, and the Governor has given authority to his staff to weigh in continually. And I know that the Treasurer has made numerous calls. So we will keep you posted.

One other item that happened at the NCSHA meeting in San Francisco--and I think you all received invitations to it--Fannie Mae threw a reception for the California Housing Finance Agency to celebrate the closing of the 236 deal. It was well represented by a number of our Board Members. Due recognition was given to CHFA's staff, to the consultants that we hired, to our bond counsel. The very successful negotiations that we were able to achieve as being the only state in the nation, the only housing finance agency to be able to achieve to buy the 236 portfolio. And we actually have one of the projects from that portfolio for you to consider today.

Last but not least, I want to point out that there are a number of reports included in the binder that staff are prepared to discuss. Linn will also be discussing some of the items that the Board Members have asked staff to follow up on from the last meeting.

But particularly I want to make sure that we spend a minute or two -- We have put together a draft agenda that is included in Ken's, under his second financial report on updating our variable rate debt. As far as a proposed agenda for the workshop next month, I just want to make sure that agenda meets with what people are hoping the workshop to accomplish. And also to point out what we will be doing at the December meeting in addition to the projects and the workshop.

The last couple of meetings we have had discussions by Board Members on the concern on Board Director liability. We had hoped at this meeting to have someone come and speak to you but we have been able to calendar that for the Board Meeting on December 7 for the person who serves as the head of the risk management department for state agencies within General Services to come and speak to you on this item.

This particular person -- This organization serves as sort of the broker with outside insurance companies to try to deal with liability issues. He is also the person who would be prepared to address the questions that Julie asked on what other state agencies' boards have liability issues. So we intend to have that be a presentation and for discussion on the 7th of December.

So with that, Mr. Chairman, I think I have completed all of *my* comments. I would, maybe, add one extra thing. I did attend a dinner Link Housing had last week in San Diego where our distinguished Vice Chair, Carrie Hawkins, was acknowledged for her contributions over the years to housing. I attended the celebration and represented CHFA and it was a delightful affair. It was a pleasure to see our colleague so warmly regarded.

MS. HAWKINS: Thank you.

CHAIRMAN WALLACE: Congratulations, Carrie. One more quick reminder from me. The insurance committee needs to meet right after this. That's Carrie, you, me, Terri.

MS. PARKER: It would be Ken, but he is not with us.

CHAIRMAN WALLACE: And Hobbs but he is not here and Pat but she is not here. That meeting will be held right after Item 9 when we adjourn. Okay, moving on. Item 4, a couple of projects. And I know, Linn, you had some prefatory remarks to kind of catch us up on some things that we talked about before. So kind of in that order, take the catch-up items and then the projects.

MR. WARREN: Okay. Thank you, Mr. Chairman. There were a number of items from our last Board Meeting that the

Board asked staff to follow up so I'm going to comment on a few of those before we get into the project consideration.

The first, as you recall, at our Board Meeting there was a request for a small acquisition loan for the Baldwin Park project in Southern California that was brought to us by the Thomas Safran Group. The Board asked that a number of issues be addressed regarding equity recapture and restrictions on the property. Subsequent to the Board Meeting the sponsors withdrew the project, both the acquisition loan and the project itself. Essentially, the reason that was given was that they were able to find financing elsewhere for the equivalent rate.

They were uncertain as to what the reaction would be with respect to the locality as to what the restrictions might be that are being placed on it by CHFA. Because it's a nine percent transaction, which are highly competitive, my sense is that the ultimate lender, which I believe is Bank of America, supplied financing to them, both the acquisition and the permanent financing, on favorable terms. We, as you recall, were going to do the acquisition loan, really, as an accommodation, if you will, because we had the permanent loan. It was something that we had not done before.

I explained to the borrowers that this is an Agency policy which has its roots in another program which is the acquisition financing for preservation. As the Board recalls, in those situations if we provide acquisition financing to preserve existing market rate projects our regulatory agreement does go on the property for 30 years and we do require some basic affordability. Because we don't want our low interest rate to be utilized to perhaps opt out of the property later on. So there is precedent, I explained to the sponsors, for these restrictions.

But that said, they felt that overall the financial situation for this project was better if they went with another lender. So with that it was withdrawn. We would like to consider the acquisition program for land in the future, but we need to be clear with our sponsors that to do that, the public purpose of housing that are attached to that needs to be considered and they can make their decision accordingly. So with that we went forward.

The second issue that was brought up had to do with a comment Mr. Klein brought up regarding Section 8 and budget authority. And in particular the Board asked questions about given the pressures of annual renewals, (five,year contracts versus one year contracts3 in the authority process with HUD is there any differentiation or granting of preferences over a five year to a one year contract. I talked about this with HUD, and as you can imagine, publicly they are not going to say that they differentiate between renewals for five year and one year. Their comment is, HUD is there and always has been there, and if a contract is terminated for budget authority purposes then vouchers are an option.

One of the reasons that we are reluctant to underwrite to one year or five year contracts is really for this reason: There is still some uncertainty, even under five year contracts, with annual appropriations as to whether HUD would make the money available. With the elections pending some of the HUD folks said quite candidly they don't know where the appropriations are going to be and they simply do not want to go on the record, quite frankly, as to what HUD's position is.

But that said, until there is some further settling of the certainty of the five year contracts on the renewals, particularly with respect to Mark Up To Market, and in one of the projects that you have in front of you today, I will discuss more about Mark Up To Market HUD Notice 99-36. Until there is greater certainty the Agency does not wish to underwrite or leverage off those Section 8 contracts unless there is some guarantee to backstop us in the event HUD does terminate those contracts. So we still need to be cautious.

But that said, the industry is encouraging us to look at these five year contracts as a way to leverage more debt and acquire the properties. So we are considering that. We have not made a final determination on that. But HUD, regrettably, is still not 100 percent certain as to whether they can guarantee these contracts to continue. So it leaves us in somewhat of a limbo and they are kind of waiting.

But I will say this: The HUD people have commented that over the last couple of years there really has been a trend towards renewals. They want to see project-based stay on the property, even if it is on an annual basis. They are certainly encouraging five-year renewals under Mark Up To Market, they are now considering ten-year renewals under Mark Up To Market.

So there is a bit of a philosophical change at HUD. Not a bit, a significant philosophical change, in which these longer contracts are being supported, even though they are subject to annual appropriations. So one would hope that with the contracts out there the money would be found on an annual basis to fund these projects. So the train is changing but probably not sufficient for us to dramatically change our underwriting guidelines.

The third area that was talked about had to do with the Homestead Park project. This was a project, as the Board may recall, in which the child day care was being eliminated in favor of 75 new housing units. In talking with Mid-Peninsula, which is the sponsor, a couple of additional facts came to light.

First of all, the existing day care owner had planned on shutting down the operation or terminating the day care on a go-forward basis. The second issue that came out is none of the children in the day care came from the project. Mid-Peninsula was faced with the choice of maintaining the day care for children not of the tenancy, which is something that they chose not to do.

As I said at the last Board Meeting, this was not a decision they made lightly, but they felt the exchange of 75 new units was a good one. The existing operator has indicated to the parents of the children that in all likelihood the operation may end sometime within the next two years. Mid-Peninsula, and I've asked them to make this high on their priority list, is to give as much notice as possible to the parents, and certainly help facilitate to the best that their services can, to replace the day care.

But they are not in a position to replace the day care facility elsewhere on the site. Mainly because the tenant profile does not have that many young children, so they felt that that was not what their primary mission was. But we will keep that in mind for future transactions. So with that, Mr. Chairman, that is an update on the final three issues. If you would like, I'll go ahead and continue with the projects unless the Board has any questions on my comments.

CHAIRMAN WALLACE: Any questions from the Board on any of the carryover items? Okay, hearing none let's go on to the Belvedere Place project.

RESOLUTION 00-33

MR. WARREN: Thank you, Mr. Chairman. The first project for consideration today is Belvedere Place Apartments, which is in San Rafael in Marin County. The request for the loans -- There are two loans. The first is a permanent loan in the amount of $1,500,000 at an interest rate of 6.10, 30 year fixed, fully amortizing, and the second loan is for a bridge loan in the amount of $1,997,000, 6.10, fully amortizing over five years.

Belvedere represents, essentially, a new program for the Agency that I want to spend a few moments commenting on. This is a bond re-funding program. What has occurred on this is the private activity bond for this project has been secured by the locality. The bonds themselves will be privately placed with Westamerica Bank, who essentially will act as acquisition and construction lender for the project. At the end of a two year period, approximately, with CHFA's commitment we will issue re-funding bonds and retire the locality bonds that have been issued by the locality.

The Agency feels that this is a good program because it accomplishes a number of goals. The first is there is an increasing trend, particularly in the CDLAC allocation rounds, for localities to seek their own allocation and to issue bonds for projects essentially in their neighborhoods. And the Agency certainly commends localities for doing this. It does give them more local control. As you can see from the materials there is a substantial amount of local money in the Belvedere project.

The second benefit of this is the private placement of tax-exempt financing has become a very efficient mechanism. Bank of America, Wells Fargo and Union Bank are three significant players in this area. But there is a problem with this in that many of these financial institutions don't wish to hold the tax-exempt paper for a long period of time. A number of devices have been devised where these loans are pooled and securitized and sold. But it is an issue that many of the banks, after they realize the maximum of their CRI credit wish to dispose of the loans in some fashion, and there is not an effective secondary market for this at this juncture, although there have been a few attempts.

We think this is somewhat of a secondary market in that at the time that the allocation is given and the private placement commitment is offered by the replacement banks our final commitment is also offered. So we are there to take these banks out two years in the future. The projects benefit from our lower interest rate. For those projects that have subordinate financing from the locality that are residual receipts, our loans often give increased residual receipts for the benefit of the localities. After the end of the two year period that our regulatory agreement does go on we manage and administer the property as we would any other.

So we think this is a good partnership with localities. Belvedere is the first that we are doing this way. There is a second that will come in . December, which is a much larger project, with the City of San Jose. There is an increased level of due diligence on our part. Our bond counsel does need to thoroughly examine the bond documents for the acquisition because there are some carryover effects, but that is just an additional step that we have to impose in the process.

So that is one reason Belvedere is here. We think this is a program that if we find that it is accepted by the localities, and the banks like it, then we think this is something we can replicate throughout the state on a regular basis. With that let me pause for a moment and give you a sense of what Belvedere looks like and we will go through the projects.

(Video presentation of project begins.)

This is the view -- Let me go back to the first one. Belvedere is b27 unit project located in the Canal Street area of San Rafael. This is a very densely populated area with a number of large multifamily projects, and small multifamily projects. Regrettably, a lot of them are not in very good condition. This is a targeted redevelopment area for the City of San Rafael. In this particular case BRIDGE, who is the project sponsor, is working in conjunction with the redevelopment agency for the city to begin to turn around some of these projects.

This is the main entryway into Belvedere running down Bellam Street. This is the project in the back in there. Across Belvedere Street is primarily residential. On this side of the street, though, you have a grocery store here and you have commercial and industrial projects throughout the area. There is central parking for 25 cars. As you can see it is very straightforward.

The project was built in 1959 and it does need a great deal of repair. As you can see from the notes there will be extensive repaving, fencing, siding, trash enclosures to upgrade the property. The units will undergo significant rehabilitation. The roofs are in good condition but will need to be rehabilitated some time in the future. The total amount of rehab on a per unit basis is almost $47,000 so it is very significant. It probably does require almost a complete gut rehabilitation.

This is a view of the street parking. This is a view along Belvedere. As I said, on this side of the street is primarily commercial. This is a local grocery store so the site is actually very well located. But there is commercial running all along here between this street and Highway 101. To the right here and going back several blocks are a number of multifamily projects. A very dense area and clearly a redevelopment area that the city wishes to address. This is the view in the other direction along Belvedere Street. Again, you can see the commercial nature on one side and the residential nature on the other.

All of the units will be set at 50 percent of median income. The rents here are somewhat misleading on the comparable rents and I need to comment on that a little bit. The two rents that you see, the $785 and the $1200, are the equivalent market rate rents for the Canal Street area. These are not the rents, clearly, that one could gain throughout other parts of San Rafael or other parts or Marin. After rehabilitation is complete, clearly though, the quality of the project will make this project very competitive. Market rate rents have stayed high, primarily because there is a fair amount of overcrowding in all of these units and certainly the density is a great deal.

(Video presentation of project ends.)

Because of the significant rehabilitation there will be relocation of all the tenants. As your materials indicate, the state rehabilitation guidelines need to be followed. This will be administered by BRIDGE and by the locality. A consultant has been hired, which is Pacific

Relocation Consultants. We know them, we have done business with them in the past, they are very thorough.

The relocation process will entail interviewing all the tenants, determining their income eligibility and pursuant to the relocation guidelines, monies and compensation will be paid over a 42 month period either in the form of equivalent like housing or in the form of money for purchase if the tenants wish to go that way. So this is a significant issue with any major rehabilitation like this and BRIDGE has taken excellent steps to mitigate all the issues. And as I said, the City of San Rafael and the County are, obviously, very concerned about that and they will be signing off on the relocation vouchers.

So with that I think I can say -- As I indicated, the sponsor is BRIDGE, we know them well. This is another example of BRIDGE entering into areas that certainly need some redevelopment and we are very confident that even with the rehabilitation difficulties that they can be successful. With that I would like to recommend approval and answer any questions.

CHAIRMAN WALLACE: Questions from the Board? Julie. You were prompting Julie, Bob?

MR. KLEIN: No, I'm going to follow Julie.

CHAIRMAN WALLACE: Okay.

MS. BORNSTEIN: I think he has several questions too, thank you, Mr. Chairman. I notice in the staff report that it indicates the roofs are in satisfactory condition for the next few years. I'm wondering if we have an estimate of just how many years.

MR. WARREN: Five, Julie. There is not enough money today given what has to be done to repair all the roofs. The physical needs assessment basically put a five year threshold on that. Our capital needs assessment indicates money that needs to be spent after that period of time, so there is -- As you can see from the materials, and I will just comment briefly, that we have an initial deposit for replacement of $50,0000 and then on an annual basis we have $350 per unit per year. That is adequate to deal with the roofs downstream. Mainly because the other capital needs will have been addressed because there is a large amount of money being spent at the outset.

MS. BORNSTEIN: Thank *you.*

CHAIRMAN WALLACE: Bob.

MR. KLEIN: Yes. The relocation costs are in the $30,000 per unit range?

MR. WARREN: Yes. An $800,000 total, I believe.

MR. KLEIN: My understanding here is that these units are located in two, two-story buildings.

MR. WARREN: Yes.

MR. KLEIN: Does the $800,000 deal with all 27 units or do they have a business plan where they rehab half the units, move the tenants into that half and then rehab the other half, therefore only having to pay relocation on half the units?

MR. WARREN: I think they are planning on moving the tenants out of the building and not do a rolling. There might be some stage only because of the complexity of it but the anticipation is that all of the tenants at some point in time will be relocated out of the project. It will not be staged work. All of the work has to be done at essentially the same time.

And the way that the monies are calculated is that the tenants are interviewed as to their ability to pay. The shortfalls are then calculated on a per tenant basis. Then From that amount of money the vouchers are given for the 42 month period after that. So I think the plan is to try to do all the rehabilitation.

MR. KLEIN: Will there be some movement?

MR. WARREN: Probably some, Mr. Klein, but that is not anticipated in the budget.

MR. KLEIN: So the relocation benefits are 42 months?

MR. WARREN: The statute calls for payments to be paid over a 42 month period. There are a couple of formulas that one goes through that basically are, in the simple case, what is the tenant's ability to pay, what is the like kind housing that they are relocated to that in most cases produces a gap. The gap is then paid pursuant to these $800,000 funds.

If a tenant wishes to purchase, there are some provisions in the relocation act that allows lump sum payments for the purchase of properties. Whether that is possible in Marin is a question. There are other more arcane formulas from what I understand are from the act, but in the simple case it is this gap funding on rental need that calls for the $800,000.

MR. KLEIN: And I take it that although relocation is necessary here, and it is a good thing to have the relocation, it is not our loan itself that is triggering the application of the Uniform Relocation Act.

MR. WARREN: That's correct. We rely upon the localities in all relocation situations to be the final arbiter and certifier as to whether it is being done correctly. As the Board may recall, about a year ago we had a project in Southern California, Breezewood, and I forget the town right now, but we had many single family homes that were being demolished. And in that situation, like this one, we rely on the locality to approve the plan, to administer the plan, authorize the vouchers or co-sign the vouchers, and at the end of the process make certain that the sponsor followed the plan accordingly. We will monitor that, clearly, because I think that is our responsibility, but we are not the final certifier.

MR. KLEIN: Okay. And legally, the relocation act provision is not triggered specifically because of our loan.

MR. WARREN: That's correct.

CHAIRMAN WALLACE: Ed.

MR. CZUKER: On page 851, Sources and Uses, can you help identify where under Uses the relocation reserve would be set aside. Because I do not see a category that would deal with that issue.

MS. PETERSON: Unless they are going to pay the Tax Credit Committee a lot of money, it probably isn't under TCAC and Other Costs.

MR. WARREN: I needed my detailed list. Under the TCAC costs, yes. This would be going directly to TCAC. (Laughter). The relocation expenses of -- It's a new role.

MR. CZUKER: It's a good way to recycle tax credits.

MR. WARREN: The total is 865, Mr. Czuker. Imbedded with that is $800,000 in the TCAC/Other Costs.

MS. PARKER: You were hoping there for a while, weren't you?

CHAIRMAN WALLACE: Linn, will you say that again. We had a byplay here that was pretty humorous and I missed your --

MR. WARREN: My response?

CHAIRMAN WALLACE: Yes.

MR. WARREN: I didn't hear the byplay.

. CHAIRMAN WALLACE: Just show me the money.

MR. WARREN: It's imbedded within the TCAC and Other Costs. The $800,000 is in that bucket.

MR. CZUKER: Thank you.

CHAIRMAN WALLACE: Did you have a question, Jeanne?

MS. PETERSON: I did. Actually, I wondered if you could tell us what the current rents are in comparison to what the post-rehab rents will be?

MR. WARREN: They are higher. They are in the $800, $900 range, when I looked at the tenant rolls. That is a function of -- Well, it's a function of overcrowding, quite frankly. But the existing rents that are being charged on this project are in the $800-900 range that I have seen. Some are lower. But that is typical for this type of two-bedroom product in this particular area. The overcrowding issue is serious because the two-bedrooms may have six or seven individuals, perhaps more.

MS. PETERSON: So we don't have the concern that the rents will be considerably higher after the acquisition rehab.

MR. WARREN: That's correct.

MS. PETERSON: The other question that I had was a simple one and that is, why are all the rents set at 50 percent?

MR. WARREN: I believe this had to do with the application for --

MS. PETERSON: CDLAC.

MR. WARREN: -- for CDLAC. This is something the sponsors may wish to come back to us with and discuss. But their CDLAC application called for 50 percent.

MS. PETERSON: Thank you.

MR. CZUKER: Sometimes HOME requires them.

MR. WARREN: Yes.

MR. CZUKER: The use of HOME funds.

MR. WARREN: That's correct, Mr. Czuker, there may be.

CHAIRMAN WALLACE: Lydia Tan is here. Lydia, any light you want to shed on it? Lydia is the Project Director for BRIDGE Housing.

MS. TAN: Good morning. First of all, I would just like to say thank you very much for considering this project. It is very important to the redevelopment agency in San Rafael. It is the first project in a five year contract between BRIDGE and the San Rafael Redevelopment Agency to try and bring a number of these properties who have been subject to deferred maintenance and absentee landlords under a nonprofit control so that the rents and the general condition of the properties in this area become stabilized. We really very much appreciate CHFA's involvement in this project.

With respect to the rents: As Linn said, we did go through a fairly intense interview process with all of the residents to understand what their incomes were, what they could afford to pay, and 50 percent has tended to be where we are. We are still in the process of verifying incomes and we are seeing some of those incomes reach up into the 60 percent of median income range. But everybody has got a job and they are all, basically, in the 50 percent of median income range. We may come back and talk a little bit about doing some shifting around.

CHAIRMAN WALLACE: Thank you, Lydia. Any questions of Lydia? Bob.

MR. KLEIN: Lydia, one area that I am particularly concerned about on all projects is this issue of utility deregulation. The utility deregulation attention has been focused on San Diego but it is my understanding that PG&E may qualify as early as April of this next year for utility deregulation. So the question is, if you face utility deregulation on this project -- Now, first of all, I realize BRIDGE has the size and maturity and reserves to deal with a utility problem on a small project of this size. How would you deal with substantial increases in utilities here which would reduce your net rents? You have a 1.10 debt service coverage here and it could substantially erode your debt service coverage.

MS. TAN: It could, and we would approach that problem the way we would approach any sort of resourcing problem, which is what we do in trying to make affordable housing work. In that particular case, we do have the debt coverage service. We also know that this project has been underwritten at a vacancy rate that probably will not materialize. We know that there is a little bit of cushion there. We tend to operate under budget. We are fairly conservative in how we do budget. And this particular property, given that it is of a smaller nature, we have actually bumped the per unit operating costs up more than we would otherwise. So we feel like we have got a very conservative budget to begin with. We know there is a little bit of cushion in vacancy and some of our other line items so we think that we can deal with that.

In the case that we don't have enough money within our existing proforma, we do certainly have the internal resources to help pay for that problem. We also have, as you can see, a lot of support from the Marin Community Foundation. We also have future tax increment support that has already been committed to BRIDGE Properties as well that could be used to help take care of that problem.

MR. WARREN: In addition to that, Mr. Klein, I think the issue is, and we can discuss it later, obviously, when we talk about utility issues, but the Agency does require an operating expense reserve at the outset. Traditionally, that has been used to monitor and is in place for two years while the project's operations are stabilized. It is entirely possible as deregulation or re-regulation runs its course that these OERs may need to be out there longer than our two year period until stabilization occurs, or a portion of it released, or something kept in place that is specifically tied to utilities.

And Lydia is absolutely correct. The budget is a strong budget. The vacancy rate, while conservative, will probably not ever be achieved. But we also know that with sponsors like BRIDGE and others, in the event the utility situation does remain difficult, they have the resources to deal with this.

And I think this is not that dissimilar to any operational issue that we have that is a problem and doesn't go away overnight. So I think we have enough safeguards. We don't want to overreact and put a lot of money on it. But it is like every other issue, Mr. Klein, we need to watch this. And it may not be electricity today, it could be water and gas and all those issues. It's simply is a problem that is not going away.

CHAIRMAN WALLACE: Thank you. Carrie, did you?

MS. HAWKINS: I had a question that I would perhaps like addressed at a workshop and not these two specific projects. It would be helpful to me to understand what the limitations for overhead and profit are for the developer. What are the guidelines and are there limitations by the various agencies and so forth. Because I see a big variance per unit in this and I would like to understand that process better.

MR. WARREN: Okay.

MS. HAWKINS: And I realize there's lots of variables on each project and so forth. But for me that would be very helpful in a workshop situation so that I could better understand and to follow each job.

MR. WARREN: I can make a brief comment, Ms. Hawkins. I think that, obviously, there are limitations with respect to TCAC and CDLAC and we generally expect sponsors to honor that. We believe that a reasonable developer fee is required for both for-profit and nonprofit sponsors and we encourage sponsors to seek that to whatever is best for the individual projects. We are periodically uncomfortable with 100 percent deferred developer fees on rehabilitation projects because surprises can and do happen. But I think the industry needs to have a realistic approach to return, not only on developer fees at the close but also cash on cash returns in the investment over a period of time.

So the Agency by definition does not have a rule, per se. If we think there is a large developer fee that is being taken at the potential expense of the project then we will limit it and we will ask that money be transferred up into capital budgets. But generally speaking, with the sponsors--and BRIDGE is foremost in this--their concern is the project. They keep an eye on what the developer fee is and in all projects it has always been very reasonable and fits well within the financial confines.

MS. HAWKINS: Thank you.

CHAIRMAN WALLACE: Ed.

MR. CZUKER: I just want to commend the use of the multiple agencies that are involved in sponsoring this project with the participation of the CDBG funds, the HOME funds, the redevelopment agency funds, the Marin County and San Rafael commitments, the use of tax credits. It really overlays multiple programs that, one, lower CHFA's exposure and certainly commend the sponsors for the added work that is involved in dealing with multiple agencies to layer the components of the financing and sources necessary to make a project like this viable.

It is added brain damage; it is a lot of headache; a lot of different government agencies they have to respond to. The net result for CHFA is a more conservative loan with tremendous equity from multiple sources ahead of it to protect its position. So I want to commend the sponsor for promoting and going through the effort to make this project a reality.

CHAIRMAN WALLACE: Let me suggest that Lydia doesn't suffer from brain damage. She is an absolute gem in the eyes of BRIDGE and I'm a BRIDGE Board Member. She is very creative and very thorough. So yes, we commend *you* again, Lydia. Any further questions before the Chair calls for a motion? Bob.

MR. KLEIN: While I think it is great we do have all these different sources, just looking at the numbers on the face of them, there must be a creative application of the 50 percent tests. The three different 50 percent tests to make sure that we have a sufficient portion of the costs that are financed with tax-exempt proceeds. If in final analysis when those tests are run I would certainly be supportive of a higher loan if it were necessary to get those tests to work. But I would encourage someone to try and run those tests earlier.

MR. WARREN: To that extent, Mr. Klein, the consultants for this have run a basic test which has resulted in a 63 percent tax-exempt eligible basis. We felt that was adequate. It is important to note on these projects that the basis test is something that the bond issuer needs to be concerned about with respect to credits. From a re-funding standpoint, we need to verify that clearly to make sure that the credits are available. But we are encouraging the sponsors to look at that. But in this particular case I did ask the sponsor's consultants to look at that. They ran their own series of tests and they felt at the 63 percent percentage that there was sufficient cushion given the divergence.

MR. KLEIN: And they ran all three tests?

MR. WARREN: I don't know if they ran all three. They ran what -- Their individual consultants referred them to the tests and they are examining that.

MR. KLEIN: Right.

MR. WARREN: But this is the one that they did for us.

MR. KLEIN: Great. Okay.

CHAIRMAN WALLACE: Okay, thank you. No further question from the Board? Any questions from the audience? Hearing none the Chair will entertain a motion.

MR. KLEIN: I would like to make a motion for approval.

MR. CZUKER: Second.

CHAIRMAN WALLACE: Motion for approval Mr. Klein. Second?

MR. CZUKER: Second.

CHAIRMAN WALLACE: Mr. Czuker. Any discussion on the motion? Hearing and seeing none, secretary, call the roll.

MS. OJIMA: Thank you, Mr. Chairman. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Have you got six?

MS. OJIMA: Yes.

CHAIRMAN WALLACE: I am going to abstain for the reason that I have long been on the board, and still am, of BRIDGE Housing, with the understanding that legal counsel has opined that I have no conflict of interest but it might be perceived that since I am on both boards that I do. That foes not preclude me from voting on a project at a given point in time, but since we have a motion that is legally approved without my vote then I choose to abstain. Hearing that the secretary advises that --

MS. OJIMA: Resolution 00-33 has been approved.

CHAIRMAN WALLACE: That 00-33 is hereby approved. Thank you, Linn and the sponsor, Linn and your folks and Lydia. Let's move on to the next project.

ESOLUTION 00-34

MR. WARREN: Thank you, Mr. Chairman. The second project for the Board's consideration this morning is Vista Del Monte Apartments located in San Francisco. This is an interesting project in that it is a couple of initiatives for the Agency. The first is, as the Board recalls, the Fannie Mae 236 program or loan portfolio was completed earlier this year. This is the first loan in that portfolio which is being refinanced by the Agency.

The second is that along the lines of the Fannie Mae 236 refinancing the Agency is using 501(c)(3) financing to develop this property. It was felt by the sponsors and their consultants that they may not be successful entertaining private activity bond allocation, given the great deal of concentration and competition for the property. So with that it was felt that pursuing 501(c)(3) financing in conjunction with the Section 8 contracts would be an appropriate way to go.

So with that there is a request before the Board of a first loan in the amount of $11,400,000, an IRP second because this is a 236 project of $1,173,250. The financing structure is somewhat different in that the Agency will be advancing approximately eight to nine million dollars of monies for the acquisition of the property. The construction financing, and there is a fair amount of rehab that will be going on in the property, will be funded by the National Farm Workers Pension Fund.

The sponsor for this particular project is the National Farm Workers Service Center, an affiliation of the United Farm Workers. Their pension fund, subject to certain requirements from pension fund advisors and their guidelines will fund approximately $4 million of the construction monies over a 24 month period.

At the completion of the construction, CHFA will retire that with the balance of their loan funds as a hold-back in the amount of $3 to $4 million dollars. We think this is an appropriate structure in that it makes certain that the rehabilitation is done pursuant to our guidelines. And it foes give the sponsor, who is able to risk some of their own noney, in the rehabilitation.

The 501(c)(3) structure that we are using on 236 programs is an important model, primarily because private activity bond allocation is so difficult to obtain. The Agency, in looking at the Fannie Mae 236 portfolio, wishes to replicate this particular model as best we can. With that

I'm going to stop with that and we'll look at a few pictures and then we can comment some more on the project.

(Video presentation of project begins.)

As I indicated, Vista Del Monte is a 104 unit project. One nice characteristic is a wide spread of units. There are one, two, three and four bedroom units. It was constructed in 1971 as a Section 8 project. Flat roofs, fairly straightforward construction. One of the really nice things about this project is the views. This is in Diamond Heights, which is in the Twin Peaks area next to Mount Sutro. This is a view easterly. Almost all the units have a view very similar to this looking toward the bay and downtown San Francisco. The project is built on the hillside in Diamond Heights. This is typical of the elevations and the balconies for the units. Interior courtyard. A number of garages for the units throughout the project.

Rehabilitation will be fairly substantial, approximately $25,000 per unit. One of the first issues is accessibility compliance. Clearly with the terrain of the project physically challenged individuals need to be helped with common areas. Landscaping. Certainly the project needs that particular improvement. Roadways and parking are not in terribly good shape, those will also be addressed. The storm drain system, given the inclines and hilly nature of the project, also need to be addressed. And because we have flat roofs, as you can see here, these also require some attention.

Other improvements include re-siding of exteriors, termite and dry rot. The *dry* rot and the termite is perhaps the biggest problem on this property. It is extensive. We have had a couple of reports done. We have focused on this. It was a primary area of rehabilitation. Staff is satisfied that this has been addressed but we will be monitoring this fairly closely. The balconies. You can see here the balconies are in disrepair; some of them are really no longer structurally stable.

And the utility issue. The project is currently naster metered and will become individually metered for electricity. There was some discussion about individually netering the property for gas. Due to the configuration of the property and where the gas lines are laid out, that was proved not to be economically feasible. But the majority of the costs on the property are electric.

This is the community building. Again, a fair amount of open grassy area, given the city, and the andscaping will improve this. Another view of the community building.

This is the entrance going down to the site. The project is on its right. Diamond Heights is a fairly well-stablished area. Development of Diamond Heights really started about 30 years ago. It is a mixture of multifamily and single family. A very desirable place to live, as you can tell from the views. Again, typical neighborhood next to the project. This is the project to the left here. The Safeway store is directly across the street. And again a general neighborhood description of Diamond Heights. This is the radio tower on Mount Sutro. And again the neighborhood.

(Video presentation of project ends.)

Because we are not doing tax credits the rent configuration is a little bit different than a traditional four percent credit transaction. As you can see we have -- the one-bedrooms aren't shown in this but this will give you an indication of the rent differentials. Rents in the City are obviously extremely high, as you can see the rent differentials between the 50, 60 and 80 percent rents.

The challenge on this particular project, since we were doing 501(c)(3) financing, is to come up with a set of rents that would support the necessary debt, in this case $11,400,000, that was sufficiently below market and could be sustainable over a long period of time. The other factor, though, the most important overriding factor on Vista Del Monte, is the existing Section 8 contract. I believe there are about ten units in the project that are not covered by Section 8, but obviously the vast majority are.

What the sponsors intend to do is go to HUD and ask for a Mark Up To Market of this project under the HUD guidelines of 99-36. What this will do is it will take the Section 8 rents up to a higher level in excess of the 80 percent of the rents. Also ask for a ten year contract, along the lines of our prior discussion. With that increased Section 8 contract the project can support some increased debt, but more importantly, the extra cash flow that is generated by the Section 8 will be used to fund a transition reserve, which we normally ask for on Section 8 projects, and also fund some ongoing capital improvements that can't be done at the outset of the project.

The tenants will be protected. The objective here is to maintain the contract for a long-term basis, cause no displacement of the tenants even though the rent levels to support the debt are higher. In the event the Section 8 contracts do terminate sometime in the future, then the transition reserve that is being funded by excess cash would be used to transition the project over a period of time into these 50, 60 and 80 percent rents.

We don't anticipate that happening anytime soon, but in the eventuality that these contracts for some reason are terminated we have sufficient funds to transition into that. If no transition ever occurs, or the Section 8 continues for a period of time, then the transition funds that we have banked away will be used for the benefit of the project.

The sponsor, as I indicated, is the National Farm Workers Service Center. They were originally affiliated with United Farm Workers providing services for the union. Since 1983, they have become involved somewhat away from the service component and more toward housing and owning radio stations. The Agency has one other project with this organization down in Parlier, near Fresno, and they have been active in a number of projects both in the Central Valley, in Arizona and New Mexico.

Because the sponsor is not from San Francisco we have asked, and they have agreed, to contract with a local property management company to manage Vista Del Monte, with the ultimate goal over time to self-manage the property after they have achieved some ability and expertise in that area. But there are three property management companies under consideration today, all of which are known to the Agency. But as a condition of our final commitment we would want to pass on those companies to make sure that they manage the property adequately.

So with that, we think this is certainly a good preservation project. It is not utilizing activity bond allocation, it meets our tests, the tenants are being protected and it allows us to develop a model which we can replicate on other 236 or other assisted projects. So with

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that, I would like to recommend approval and be happy to answer any questions.

MS. HAWKINS: Are there any questions from the Board? Yes, Jeanne, Ms. Peterson.

MS. PETERSON: Thank you. I would just like to commend staff also. It is pretty exciting that this is the first of the newly acquired portfolio that will be preserved. Also, on behalf of CDLAC and TCAC, to say how happy we are that it is not taking away from our caps. I did have a couple of questions. The primary one is, I take it that this entire underwriting is based on the approval by HUD of a Mark Up To Market and a ten year contract renewal. I'm wondering if that is true. So if, in fact, those things are not forthcoming then we'll see this deal back here restructured.

MR. WARREN: Yes, the HUD approval is a requirement. We made it clear to the sponsors that the Mark Up To Market is a critical component for this project. And if they are unsuccessful with that then, yes, you may see it back here again in some other form. As it stands right now, though, that is a requirement. One of the difficulties, though, Ms. Peterson, is that the sellers have basically given this calendar year as a period of time to get the contracts organized for sale. It is possible that if HUD does not give its approval in a timely fashion then the property could be lost.

I did not mention this in the presentation, if you bear with me, it bears mentioning now. The current owners, essentially, are willing to take this project to market. And even though the 236 income restrictions would be on there for another 12 years, as with other high-cost areas in the Bay Area, market rate owners will buy these properties and basically live with these restrictions for 12 years and then when they lift they will go to market. So it is similar to the El Rancho Verde, similar to the Homestead property the Board has seen before. We do not know for certain if they would refuse to sell the property if HUD is not timely but I think we need to proceed on the assumption that if HUD does not give approval the project could be lost.

MS. PETERSON: And HUD has been approving the Mark Up To Market deals?

MR. WARREN: They have been. The local HUD office in San Francisco probably has not seen a rent increase of this size. It is substantial. Preliminary indications from the HUD Director is they are certainly within the guidelines. There is nothing out of the ordinary with this approval. But like with any HUD approval, you don't really know until it is well into the process. The important thing to note on this particular approval is all parties agree this does not have to go to Washington. That the authority pursuant to 99-36 and the other authority, which is HUD 2000-8, which is the decoupling regulations, can all be done locally. We certainly will see if that is true but that is what the sponsors have indicated.

MS. PETERSON: Thank you. The only other question I have has to do with the interest rates on the mortgages. I assume that they are backed into since they are different on the IRP and on the first mortgage loan.

MR. WARREN: Let me comment on that, I should have mentioned this earlier. In multifamily programs we lowered our multifamily interest rate approximately two weeks ago--actually three weeks ago--and this underwriting reflects that. We have set our 30 year tax-exempt rate at 5.9. We have a differentiation for additional term, we would add certain basis points, but our base rate is now 5.9 percent. The 5.75 is a rate that we offer to leverage the IRP income flow. The lower the interest rate the more money that we can leverage up. We have used the 5.75 on the IRP and prior projects. We may in the future, depending upon discussion with finance, make it all one rate, but today we have stuck with the 5.75 for the IRP decoupling income stream as basically a way to leverage more money in the IRP.

MS. PETERSON: And the 5.9 is something we will expect to see --

MR. WARREN: And the 5.9 is something you will expect to see. I will comment briefly. On the prior project(

you noticed a 6.1 rate on Belvedere and I should be clear on that. That is a function of the 5.9 rate plus a 20 basis point increase which is the potential cost for buying a swap two years in the future. So our finance folks have asked that we build in that 20 basis point cushion, which is why you have 6.1 on Belvedere. It's really 5.9 plus this anticipatory hedge. But we are at 5.9 for the base rate.

MS. PETERSON: And that's the same irrespective of the nonprofit or for-profit status of the sponsor?

MR. WARREN: That is correct. It is product neutral and it is not a backed into rate. That is the posted rate for the Agency.

MS. PETERSON: Thank you.

MS. HAWKINS: Mr. Klein.

MR. KLEIN: I just would also like to commend the staff for being extremely creative and getting a 501(c)(3) model here that works. Hopefully, local government out there will be given information about this so that they can potentially pull in more of these opportunities for us. The 501(c)(3) option obviously allows us to move much faster if we are out of cycle with the bond allocation rounds. It may allow us to save projects that are on 90 day windows that would either have to close or they are going to be lost.

So I think this is a great model to start with. I think there will be a lot of customization of the models to the projects but I would hope we can get the information out to local governments to help bring us more, kind of, partnership approaches to use the 501(c)(3) authority and extend our capacity.

MS. HAWKINS: Any other comments or questions? I too would like to add how exciting to have a project like this come so soon after the acquisition. Hopefully HUD will understand the critical nature of the time table and will respond so that we will have a successful closing on this transaction. Seeing or hearing no other requests for comments may I have a motion.

CHAIRMAN WALLACE: I'll move.

MR. KLEIN: Second.

MS. HAWKINS: Moved by Mr. Wallace, seconded by Mr. Klein. Is there any other discussion? Hearing none, we have unanimous approval of Resolution -- Oh, I'm sorry, I hurried to close it so we can move on. May we have the roll.

CHAIRMAN WALLACE: Boy, the power of the Chair has sure shifted (laughter).

MS. HAWKINS: I want to close this transaction. May we have the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 00-34 has been approved.

MS. HAWKINS: Thank you, JoJo. Mr. Wallace.

RESOLUTION 00-35

CHAIRMAN WALLACE: Okay, moving on to Item 5, the California Homebuyer's Downpayment Assistance Program. Let's see, that is --

MS. PARKER: Mr. Chairman, I am going to start while the staff is changing seats just so you are all aware. Ken Williams, who is -- I suppose after what we said about Linn we should clarify Ken because he is also acting, in that sense, in the capacity of Director of Single Family Programs and his staff, Jerry Smart and Greg Carter. I just want to do a lead-in to this item.

Throughout last year, and I think I reported to you at a number of meetings, that there were discussions going along the Legislature about funding for down payment assistance programs. The Governor had included in his budget which came out in January of this year a down payment assistance program for teachers. However, when the Legislature and the Governor decided the budget negotiations at the end of the year, that program was handled another way rather than being handled by the state. There was also discussions about a housing bond.

Because of the substantial amount of revenues that came in, in the spring, the Legislature and the Governor agreed upon a record-setting amount of general fund dollars committed to housing programs, the majority of them which are included in Julie Bornstein's, the Department of Housing and Community Development's budget. One of those programs is a down payment assistance program that they are required, in a sense, to contract with the California Housing Finance Agency to administer on the State's behalf.

This is that program. We have, essentially, pretty much followed the discussions of this program when it was being considered in the Legislature. There was a great deal of discussion at the time because there was still discussion about having a teachers program. This program was looked at from the standpoint of whether or not it could be targeted for particularly high-cost areas. But in the end the decision was to structure this program, as Ken and the staff will talk about, differently than prior down payment assistance programs that the Agency has administered.

One of the primary differences is in the past when we have had general fund money, the down payment has been traditionally only put together with the first mortgages, either CHFA or VA. In this particular case, this program can be more broadly utilized. Hence, before we came to the Board we wanted to have an industry meeting to have industry come in and make some comments on the proposed terms and conditions of this program and then to bring those back to the Board to share with you whether or not we needed to do some program design changes or whether or not we could share with you what industry's perspectives were.

We had this meeting last week and it was extremely well represented. In fact, it was standing room only. I won't make any comments about how many people had to stand and whether we could find extra chairs or not. But the diversity of the participants included local governments, Fannie Mae, bankers, Countrywide and some of our lenders, the other state agencies, Kaufman & Broad, some developers, and, the California Coalition For Rural Housing, the nonprofit or low-income advocacy groups. So it was extremely well represented and we had a very good discussion about the program and utilization of the program to accomplish what the overall objectives of the Governor and Legislature were.

So with that, the staff has put together a presentation of how we intend to implement the program and also to do an update of other down payment assistance programs that we have in the Agency because of statutory changes to them. And then finally, how we would be proposing to have some of these programs work together to meet what the Agency believes is its mission of helping cheap home ownership, particularly for very low to moderate income families, particularly in high-cost areas. So with that, Ken.

MR. WILLIAMS: Okay, thank you. Just to tell you about our roles in single family. It states that I'm the Chief of Single Family. To my immediate left, Greg Carter. He is the Program Manager for our School Facilities Fee Down Payment Assistance Program. I will touch on that a little while later. He will be the Program Manager for this new program that we brought before you today.

To his immediate left, Jerry Smart, the Loan Production Manager for single family. And I wanted to acknowledge that Jerry has been a very important person in our accomplishing that billion dollars of volume in the single family program this past year.

What I am going to do is, first, I am going to cover this new program and then I am going to go on and tell you about the two other down payment assistance programs that we are administering. That way it will give you an update, a little broader understanding and update of what we are doing in down payment assistance. Then I would like to return to this new program for you to discuss, and we hope, approve this new program for implementation.

There's some legislative findings in the statute and they are really in more detail in my memo to you, my memo to the Board Members. What we have done here is just sort of summarized them and sort of paraphrased some of those findings. AB-2865 was signed into law on July 7 of this year. It talks about the continuing and urgent need of affordable mortgage financing.

I think you have all probably been reading articles. When we talk about urgent need for affordable financing, you have probably all been reading articles about the increase in cost of housing in California. So I brought some statistics today to give you a few examples. In June of this year, the statewide median sales price in California was $244,230. That was up 8.7 percent over the prior year. San Francisco County, which of course is an extreme, $503,000; San Mateo County, $465,000; Santa Clara, $438,000; San Diego, $225,000-250,000; Los Angeles, $204,000. In Orange County, $275,000. Some counties increased over 25 percent in one year. San Francisco County, Santa Clara County, Santa Cruz. Napa was up 46.3 percent. It went from $190,750 to $279,000 in the survey that was done to come up with these figures. So I think that's part of what they are talking about when they talk about the urgent need in California for affordable housing financing. Also, these sales prices are raising the incomes in California.

Another finding in the legislation: Affordable housing enhances the quality of life of Californians. Housing fuels the California economy, provides California families with a safe, stable home environment. The number of Californians owning their own homes is declining as the percentage of ownership climbs for the rest of the nation. The law also talks about making existing financing affordable to home buyers.

I'm going to talk now about the basic program highlights in this new program. The program has $50 million of general fund allocation, which is directed to the State Department of Housing and Community Development, or HCD. It is part of the Governor's $570 million housing program. The statute calls for it to be administered by CHFA and that would be through an agreement with HCD. It says estimated to start in October of this year but Terri is making sure that it should say it is planned to start this month, not estimated to start.

It is for both newly constructed and resale homes. It is a statewide program so people anywhere in the state can apply for these, what we are calling, junior mortgages. It's for first-time home buyers. It can cover both low and moderate income but it can't exceed moderate income. This program, according to the statute, is to use HCD's moderate income limits.

We are proposing to use single family price limits, the limits that we use in our regular single program. They are limits that are familiar to our lenders. They are also limits that we update annually. We will be starting that update process here shortly and then we would expect to have new and revised sales price limits after the first of the year.

Terri mentioned that these junior mortgages for down payment assistance can be used with both CHFA and non-CHFA first loans. You know, we are mostly used to using down payment assistance loans with our first loans. This is somewhat of a different venture. It will be interesting to see how this goes. These funds can be combined with other down payment assistance programs around the state. As you know, I think there is a large number of down payment assistance around California, principally administered by local governments. So these funds can be combined with those local government funds.

As I said, it would be a junior loan. It could be second, it could be third, etcetera. The statute calls for a low interest. We are proposing three percent per annum simple interest. It would be a deferred payment loan. In other words, what is often called a silent loan, it would have no monthly payments. The term of this junior mortgage cannot exceed the term of the first mortgage. That is called for in the statute. The maximum amount of this loan would be three percent of the sales price. That is also in the statute.

We are estimating that the average junior loan amount in this program would be about $5,000 and with that we can do approximately 10,000 loans out of the $50 million. This program will lower the cash requirement for these first-time home buyers to get into a home. In some cases it will lower the first loan and monthly payment amounts. Again, it would be a deferred payment loan, in other words, no monthly payments, with a low interest rate of three percent. I want to add at this point that the closing costs could be covered by these down payment assistance funds. That would be to the extent that the first lenders, the mortgage insurers and the loan guarantees would permit that to be done.

Here, we have put together some illustrations. They are not based on any actual past situations, they are just general illustrations of how these funds might be used with other funds. The first example is a 90 percent conventional first loan with other down payment assistance and a loan from this program. We are calling the loan from this program the CHDAP loan, California Homebuyers Downpayment Assistance. So the sales price in that first example would be $130,000. The first loan would be $117,000. There could be a city second of $5,200; a loan from this program of $3,900, that's three percent of the sales price; leaving the first-time home buyer with a cash down payment of $3,900.

The second illustration is also a 90 percent conventional first, it doesn't have any local government second involved. So in that case, a $150,000 sales price, a first loan of $135,000. As I said, no city second. A loan from this program of $4,500, leaving the home buyer with a cash down payment of $10,500. But still less than they would have had to make without this program.

The third illustration is an FHA loan with a $160,000 sales price. We are showing it here as a 97 percent first loan. The loan from this program would be the 3 percent, $4,800, and then there would be no cash down payment required. But there would be closing costs that they would have to come up with.

I'll talk now about the administration of this program, which really is very similar to how we administer other programs in single family. There will be CHFA loan documents given to the lenders. Our legal office has helped us prepare those. CHFA-approved lenders will use our lender access system for loan reservations. I'm sure some of you recall that that system won an NCSHA award a couple of years ago. It's a system where the lenders, they get on their computer, they access our computer and they can reserve loan funds for an individual first-time buyer. There is also a lot of information on that system for them, giving them the current interest rates, for example, for our first mortgages. So they will get on that system and they will reserve loans for these first-time home buyers.

After that they will put together a loan file that will be submitted to our single family office for what we call *compliance review.* Greg here and Jerry, and their staff will be looking for things like the first-time home buyers and make sure they really are first-time home buyers, that they don't exceed the income limit and the home doesn't exceed the sales price limit. Once those things are okay, then we issue a loan approval to the lender. They are going to close and fund this loan. Then they are going to send back another loan file with certain documents in it for us to review. When that is okay, our accounting department is going to purchase that loan from the lender, in other words, reimburse them for the money that they used to close that loan.

At that point, this junior mortgage will go to our CHFA loan servicing office for servicing. That's customary in single family. These deferred payment loans don't have all the servicing requirements and difficulties of the amortized loans so we have those serviced by our CHFA loan servicing office.

I can take questions now, but I am going to move on after that to -- I am going to tell you about the other two down payment assistance programs and then come back to this program again.

CHAIRMAN WALLACE: Any questions from the Board at this juncture?

MS. HAWKINS: Just one.

CHAIRMAN WALLACE: Carrie.

MS. HAWKINS: The mortgage insurance is based on a 90 percent loan?

MR. WILLIAMS: All of our loans require mortgage insurance.

MS. HAWKINS: Right. Even if they are these silent seconds you are basing it on 90 percent versus a higher -- Is the premium going to be higher?

MR. WILLIAMS: No, there can be a higher percent for a first loan. For example, that one illustration, it could be 97 percent. The FHA could be a little more than a 90 percent first loan. And of course, the VA. We have VA guaranteed loans too, which really are 100 percent loans.

CHAIRMAN WALLACE: Bob.

MR. WILLIAMS: But they might use this down payment assistance anyway to lower that first loan amount to lower their payments.

CHAIRMAN WALLACE: Mr. Klein.

MR. KLEIN: I think Carrie may have had another question.

CHAIRMAN WALLACE: She said she just had one (laughter).

MS. HAWKINS: Yes. I get just one.

CHAIRMAN WALLACE: You're not believing her?

MR. KLEIN: What are the FHA mortgage limits now and where in the state are they effectively accessible?

MR. WILLIAMS: Well, in Los Angeles County, for example, they are about $215,000 maximum mortgage limit. In the other high-cost areas, it could get as high as $219,000. And then they would be lower in the Central Valley.

MR. KLEIN: So in the Bay Area, except for inclusionary units which have artificially constrained prices, FHA would not be accessible because the limits are too low.

MR. WILLIAMS: On the very high-priced units, yes. We do see some units in San Francisco. We have seen them in a program that I will be discussing here shortly, the 100 percent loan program. Those would be condominium units and small units. And those would have local government subsidies involved. But it is very difficult, as you know, to reach the units. San Francisco County is like that, or like Marin.

MS. PARKER: There aren't any government programs that recognize what are median sales prices in California. Half a million dollars, none of them potentially recognize that. The sales price limits, even in our MRB program, are problematic to go to that level, even if the borrower could meet the income criteria.

MR. WILLIAMS: I'll show you an illustration later of trying to reach a higher priced home. About the highest prices that we have reached in recent times would be around $225,000, like in Santa Clara County, a condominium. I did have one call from the Board of Realtors in Santa Clara County about this program where they were thinking of maybe combining with the teachers program down there in San Jose. But it is difficult to reach a large number of units in those counties. This will help to some extent.

MS. HAWKINS: Clark.

CHAIRMAN WALLACE: Carrie.

MS. HAWKINS: I don't think I made my question clear. What I meant was that the example was a 90 percent loan with the silent second, the layers.

MR. WILLIAMS: Right.

MS. HAWKINS: Is the premium, the mortgage insurance premium the same on a 90 percent loan structured this way versus where there is 10 percent actual cash? How much is the difference in the mortgage insurance premium to the borrower?

MR. SMART: There is a premium difference. Ninety-seven percent, I believe, is -- John, if you could help me.

MR. SCHIENLE: Ninety-seven is 80.

MR. SMART: Eighty basis points. CaHLIF --

MS. PARKER: Jerry, I think Carrie is asking, if it's a 90 percent loan, is there any change to the mortgage insurance because of using this down payment assistance program.

MS. HAWKINS: Right.

MS. PARKER: Not a difference between a 90 and a 97.

MS. HAWKINS: Right.

MS. PARKER: Is there any difference between a conventional 90 percent first mortgage loan because they would be using this program, than without it? And I think if you went back to your examples, you could probably point to the difference between a couple of them. It's kind of with or without.

MR. SMART: I don't think there would be a difference in premiums, per se.

MS. HAWKINS: Okay. Because that makes a big difference in qualifying.

MS. PARKER: John, do you know if there is likely to be any by the mortgage insurers?

MR. SCHIENLE: Well, I think Carrie's question is --

CHAIRMAN WALLACE: John, give us your name for the record.

MR. SCHIENLE: John Schienle of CaHLIF. Only the first loan is insured, and perhaps that is the question.

MS. HAWKINS: Yes, I understand it is the only one insured but sometimes premiums are increased by --

MR. SCHIENLE: The rate is increased because there is a combined loan-to-value higher.

MS. HAWKINS: Yes, yes.

MR. SCHIENLE: In our case, we would not change it. I can't speak for the MIs.

MS. HAWKINS: Okay, great, because that makes a big difference.

MR. SMART: But if I can comment that on the conventional side, CaHLIF is the only insurer that we use. We can also do conventional loans, 80 percent, without mortgage insurance.

MS. HAWKINS: Yes.

MS. PARKER: But Jerry, I guess the question to follow up on: Since we are now opening this up to conventional lenders, and if someone were to use a Fannie or a Freddie or a Bank of America as their first, do we know in that case whether the borrower may be subject to higher MI costs with that loan?

(Tape 1 was changed to tape 2.)

MR. SMART: That's possible, yes. It could happen but it is not something that we would control.

MS. HAWKINS: Thank you.

CHAIRMAN WALLACE: Okay.

MR. WILLIAMS: Okay.

CHAIRMAN WALLACE: Ken, moving on.

MR. WILLIAMS: Now I am going to talk about the two other programs. They are discussed in the Agency's Business Plan but I thought we would provide an update.

The first one is the School Facility Fee Down Payment Assistance Program that Greg Carter is the manager of and that is for new homes only. There's really three programs within the one program. The first program is for economically distressed areas. There are 12 counties in California that had a higher unemployment rate. That qualified them under this program as economically distressed areas. In that program there's also a sales price limit.

The second program is a program that has a maximum sales price of $130,000. That was $110,000 and for newly constructed homes in California that just wasn't high enough. We were not seeing the demand and the usage of the program. The Agency went through meetings and discussions with others that it involved in this program when it was first formulated and we ended up increasing the maximum sales price here to $130,000. It's working somewhat better now because of that.

The third program is for first-time home buyers, low and moderate income. Initially, it was for low income, but again, there wasn't that much demand because of the price of the homes, or that much usage. So going through that same process the income limits were increased to moderate income. That's working somewhat better. We are working now on some additional marketing efforts that will be done in this program. I might say that Greg Carter, next to me, has done an outstanding job of holding seminars throughout the state on this program. We have mailed literally thousands of pieces of information to various people, borrowers, lenders, builders, and the actual program applications to them. The amount of assistance --

CHAIRMAN WALLACE: Ken, hang on.

MR. WILLIAMS: Yes.

CHAIRMAN WALLACE: Bob, you had a question.

MR. KLEIN: While you are at that point, if I could just ask a quick question. In the Bay Area for a family of one or two persons, what is a moderate income? The first-time home purchaser income limit.

MR. WILLIAMS: Okay.

MS. PARKER: It's the same as the new down payment assistance program will be.

MR. KLEIN: Okay.

MS. PARKER: So if you look at the chart that is in your binder.

CHAIRMAN WALLACE: Page 890.

MS. PARKER: It's by locality, by family size.

MR. WILLIAMS: Yes, page 890.

MS. PARKER: They are the same ones. I'm sorry, Ken, I know that's what you were going for.

MR. WILLIAMS: It's page 890 she's'referring to and then you just have to pick the county that you might be interested in.

MR. KLEIN: Okay, thank you. And on the point we just went through that Carrie raised. The purchasers of these homes, or borrowers, won't have the sophistication to ask the question that Carrie asked. And I'm wondering if we could reasonably require conventional lenders who are participating in this program to disclose to purchasers if they charge an extra insurance premium; to disclose to purchasers that there is the alternative program that would not charge the extra insurance premium were they to utilize the down payment assistance program that is being described.

This type of disclosure I think, would be very helpful to a purchaser who is a first-time home buyer who is not used to these types of comparisons. Because it would not otherwise naturally jump to their mind that they might be getting assistance payments but be paying a higher mortgage insurance premium when it is not necessary because of the CaHLIF programs that are available.

MS. PARKER: Bob, I'm going to ask Sandy about that from the legal standpoint, but I think I would make one comment. And I have heard this from some of my colleagues at the local level when we talk about CHFA loans compared to, for example, local NCC programs. We understand that lenders oftentimes don't want to talk about a CHFA program because of the fees that they could make are not as great. We don't have any ability, in that case, to have lenders do reasonable diligence in making the borrower aware of all programs that they might be eligible for that may be, frankly, more beneficial. So I don't know, with that, whether or not we have any ability to do anything on disclosure. Sandy, do you have any sense from a legal standpoint?

MS. CASEY-HEROLD: We could request it. I'm not quite sure if we could require it.

MR. WILLIAMS: From a programs standpoint, we're dealing with over 500 branch offices of lenders. We're dealing with an awful lot of different personnel. They have a lot of loan products. When they're using our first mortgage then everything is prescribed. We limit the fees as Terri said. They are either FHA loans, VA loans, CaHLIF insured loans.

MS. PARKER: I don't think it's an issue from the standpoint of us asking.

MR. WILLIAMS: Even if we -- Even if we required --

MS. PARKER: But I don't know if we would have any ability to, sort of --

MR. WILLIAMS: I don't think we could enforce any kind of requirement like that.

MR. KLEIN: The assistance program. It would only be a requirement to disclose it if they were using the down payment assistance. It would just be a disclosure that came with the down payment assistance.

MS. PARKER: I think what they are saying is -- I think we could ask them to do it, but we could not enforce it if they didn't do it to the borrower and they just sent the paperwork into us.

MR. KLEIN: Well, at least if we could ask, and we had a simple, half page description it would be helpful.

MS. HAWKINS: Robert, I think that's a real good idea, but they have a stack this high already. And the problem is, from having done it, the simpler you keep it, otherwise they may not get the program at all. So I think probably we can't and have it be practical. Because there are so many disclosures. And I know that CHFA did everything they could to reduce the paperwork and make it simpler. But

I think Clark knows from his real estate days, if there's too much they don't do any of it because of all the things we could go into but not time for them today. So I don't think it will work out. But I think they will recognize that that's a good program. And the word gets out. And the realtors will give the borrower the program that they qualify best for because it is so difficult to qualify them anyway.

MR. KLEIN: Okay. I defer to greater expertise in this area.

MS. PARKER: Mr. Klein, one last point. I think we are going to be very interested in collecting data on how this program is utilized. I think those are the kinds of things that we will be wanting to see if we can find out and feed back. Because I think our hope is that if this is a very successful program and we can do something about the declining rate of home ownership in the state--and we have seen even with our own CHFA loans where over 50 percent of them have down payment assistance--that this can be a tool for broader home ownership. Then we can go back and convince the Legislature and the Governor to put more money in. These are things, program nuances that perhaps the second go-around we might want to see, depending on how it is utilized to begin with.

MR. KLEIN: Okay.

CHAIRMAN WALLACE: Moving right along.

MR. WILLIAMS: Okay, getting back to the School Facility Fee Program. I might say at this point before I go farther that it is a grant. This is not a loan. The amount of assistance that is given to the home buyer is based on fees, impact fees that the builder/developer pay. They actually have averaged about $2,500 each grant. Again, it is for single family new construction only and the building permit had to be issued after January 1 of '99.

Once Greg's staff determines that this application can be approved, CHFA sends the funds directly to the home buyer's escrow account. It can be used with other down payment assistance programs and Greg talks about that in the seminars around the state. Local government people often attend those seminars to learn about this program and how they might use it with theirs.

The home buyer can choose any lender, any first loan in buying the home. We are really at arm's length from the first loan transaction here. What we are providing is a relatively small grant of down payment assistance through this program to the home buyer that is buying the home. Again, it's a grant. There is no interest involved in it, there's no payments. The one exception would be where the slide says it is forgiven after five years. They have to owner-occupy the home for five years. If we were to determine that they didn't occupy it for the full five years they would owe us a prorata amount back on that grant that they were given.

Greg likes to put in that there is no federal recapture requirement. That's just kind of a sales thing because our MRB first mortgages have a federal recapture requirement. The Rural Housing Service through the USDA, have a subsidy loan that has a federal recapture requirement so we like to tell lenders that's not involved here.

On the.right side of this slide is a picture of the cover of the application package that we hand out at seminars and we send to people that call in. This is an excellent document, I think. When you open this package you have, not only a description of all the programs in much more detail, there is a list of everything that you have to send in with your application. The application itself is in there. So sometimes a home buyer can get one of these and then they could complete this themselves. Other times, they need some assistance from a lender or somebody to complete it.

CHAIRMAN WALLACE: Ken, not that I'm going to qualify, but why don't you send all the Board a copy of that package.

MR. WILLIAMS: Okay. Okay.

CHAIRMAN WALLACE: I think whenever, Terri, we get a new program like this and you have created a package like i ^ 777

this, include the Board in the distribution.

MR. WILLIAMS: Okay, we'll do that.

CHAIRMAN WALLACE: Ed.

MR. CZUKER: I'm curious if any of these programs would also apply, to condominiums.

MR. WILLIAMS: Yes, we do loans of condominiums.

MR. CZUKER: So when we say single family, it's also --

MR. WILLIAMS: Yes.

MR. CZUKER: It could be first-time home buyer of a condo.

MR. WILLIAMS: Yes it can.

MS. HAWKINS: Is that only in the high-cost areas for condominiums?

MR. WILLIAMS: That's currently the policy.

CHAIRMAN WALLACE: Ed, are you thinking of applying?

MR. CZUKER: Not this week but thank you.

MS. PARKER: This program is only applicable to condominiums in high-cost areas?

MR. WILLIAMS: No, that's -- I was getting back to -- I went back to thinking about the first mortgage, for our CHFA first mortgage. But this is anywhere in the state. It could be a condo or a detached home this School Facilities Payment.

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MS. PARKER: It is not based on income other than --

MR. CZUKER: And what about the first program?

MS. PARKER: -- the HUD income levels.

MR. WILLIAMS: The first program is currently condominiums in high-cost areas in California.

CHAIRMAN WALLACE: Okay.

MR. WILLIAMS: The last down payment assistance program I'm going to talk about is the 100 percent loan program in your Business Plan, it's sometimes referred to as CHAP. It has been a real key part of the Agency's high-cost area strategy. It's been a key reason, along with our lower rates, why in Los Angeles County, for example, we used to -- Let me back up and say the percentage of California's population in Los Angeles County is nearly 29 percent of the population. We used to do around 9 percent or 11 percent of our loans in Los Angeles County. When we went to the lower interest rate for high-cost areas and we introduced this 100 percent loan program, we have moved to as high as 40 percent of our loans being in Los Angeles County in our single family program. More recently, we are back down to about 36 percent of our loans being in Los Angeles County. So I just want to say this is a key program for addressing high cost areas. Also addressing low income needs in California. It has also been a key for us having a very good percentage of our first loans to low income borrowers because of this deferred payment second.

In the Business Plan for this year there's $15 million. It is HAT Funds, the Agency's reserves. Next year it's scheduled to have $12.5 million and for the three remaining years in the Business Plan it would have $7.5 million each year. But as Terri said, after we initiate the new program that I first described to you and we take a look at how we were doing in that program, what we are doing in this program, how they might be combined out there in the state. We look at how we are doing in high-cost areas, how are we doing on low income, then when we come to the Board with the next Business Plan, we could recommend to the Agency whatever might be the case for this 100 percent loan program. At this point we are just not sure. But we want to continue this program as well as the new program and see how they go.

Generally speaking, in this program you would get a CHFA first loan of 97 percent. That's a 30-year fixed rate loan. From this 100 percent loan program, you would get a 3 percent second mortgage for down payment assistance with a 30-year deferred payment term. The interest rate is 3 percent simple interest and we like to say there's simple documentation to obtain this second. It's for first-time home buyers. For new construction or newly constructed homes it's for CHFA low and moderate income borrowers statewide.

For resale homes it's low income statewide; for moderate income it has to be in under-served counties.

The program administration, again, involves CHFA-approved lenders. They are often using loan correspondence and brokers. Again, they use our lender access system to reserve funds for the borrowers, first-time home buyers. This slide points out that the lenders can also reserve forward commitments. We call them Builder Locks under what we call the BLOCK program. So if they want to reserve funds for more than one home or more than one buyer, they can go in on that lender access system and do that transaction. They have to pay a fee for a forward commitment, but they can tie up a certain amount of money with a fixed interest rate for a certain period of time.

This last slide is the one I referred to earlier. Jerry and Greg took a look and you could reach a fairly high-priced home by using these programs I have been describing to you. The new program that I first described, the CHAP or 100 percent loan program that I was just talking about, and then earlier the school facility program. You could conceivably do that in this illustration. With a sales price of $280,000 you would have a CHFA first of $258,280. You could have what we call a CHAP second for $8,400, a CHDAP third for $8,400, a school facility fee grant of $4,920. We just really picked that figure to plug it in there. It is conceivable; Greg has taken a look at that. You could then conceivably have no cash down payment requirement. This would not be in very many instances but it does illustrate how you could use other funds. Yes?

CHAIRMAN WALLACE: Yes, Bob.

MR. KLEIN: What income would it take to qualify, given these assumptions, for that first mortgage?

MR. WILLIAMS: Greg worked on this. He says it would take about $75,000.

MR. CARTER: A family of four, $75,000 a year.

MS. PARKER: This would be only available in certain localities given the HUD income limits.

MR. WILLIAMS: Right.

MS. PARKER: So in this particular example, we could only be utilizing this in an area where the income limits would be greater than $75,000; correct?

MR. CARTER: Yes. The example we used was actually in Orange County. We were below the Orange County moderate income level at $75,000 to qualify for this example.

MS. PARKER: Somebody in Butte County couldn't do it.

MR. CARTER: The income levels wouldn't allow that.

MS. PARKER: Right.

MR. CARTER: That is true, yes.

MR. WILLIAMS: Right. That's a good point to make.

MR. KLEIN: Do we have a program -- Some of the Silicon Valley employers are helping people purchase. Do we have an employer co-purchase program?

MR. WILLIAMS: We don't, but they can use any and all of our loans, our first loans or the seconds. If it's a newly constructed home, the school facility fee grant. So that's how it tends to be done. The lenders around the state get used to all of these different programs locally and the products and they link us up with these local programs.

MR. KLEIN: So employers can sign as a co-mortgagee for the employee trying to qualify here?

MR. WILLIAMS: I don't think we've had that. Have we, Jerry?

MR. SMART: No, they can't qualify as a co-mortgagee, particularly on an MRB loan.

MR. KLEIN: Where they are not getting any of the benefit, they are just acting as a credit.

MR. SMART: They would not be eligible as a co-nortgagee under the MRB. Now, they possibly could if they were using a non-CHFA first product under the CHDAP program.

MR. KLEIN: FHA has a program now where employers now can participate. Is that right? Did they implement that?

MR. SMART: I don't believe they have yet.

MS. HAWKINS: I don't believe there is because it's a problem of you can't foreclose on a corporation the same way as you do on an individual. It's not accepted by any of the secondary market investors like Fannie Mae and Freddie Mac to have a corporation as a mortgagee. And I think it will follow through in all markets.

MR. KLEIN: I'm wondering why you can't foreclose because there are a lot of corporate mortgagees on commercial properties.

MS. HAWKINS: Well, because it's --.

MS. BORNSTEIN: You don't get the protection. It's the anti-deficiency --

MR. KLEIN: Oh, you mean the owner, the other purchaser wouldn't get the anti-deficiency protection.

MS. HAWKINS: I don't recall now the legal ramifications because it has been five years since I had to deal with this. But rather than being a -- What are the two types of foreclosures? The words escape me.

MR. KLEIN: Trustee.

MS. BORNSTEIN: Judicial and non-judicial, expedited --

MS. HAWKINS: And that was one of the -- Yes, that was one of the hitches and glitches for why I was told. At the time I was a lender and why we could not do that.

MS. BORNSTEIN: And I think, Mr. Chairman, it may also go to the issue then of owner-occupied as well.

CHAIRMAN WALLACE: Yes.

MS. BORNSTEIN: If a corporation is a co-mortgagee it may also affect that.

CHAIRMAN WALLACE: That makes sense.

MS. HAWKINS: That is for sure in this case the situation. On conventional loans you can have a non-occupant providing there is a 20 percent down. Those are all the different guidelines that you follow. But here you would not have that.

MS. PARKER: I think that we were thinking more along the lines of local governments, some of which are putting in $50,000 and $60,000 to try to help with mortgage rate write-down. That you could layer on these kinds of things.

MS. BORNSTEIN: Mr. Chairman.

CHAIRMAN WALLACE: Yes.

MS. BORNSTEIN: I know Mr. Klein has been very interested in the employer assistance programs. The ones that we are familiar with the employer assistance usually comes in as additional down payment assistance, particularly in the high-cost areas where you are looking at a typical down payment much higher than this. So in that case they would just come in, in place of the local government, perhaps, as additional down payment assistance or closing cost coverage and those kinds of things. Some employer assistance programs do take an equity-sharing position but I don't know that it is recorded as an ownership or even any kind of debtor obligation in the property. I think it has more to do with the contractual terns of employment on equity sharing.

MR. KLEIN: Okay.

CHAIRMAN WALLACE: Okay.

MR. KLEIN: I appreciate the explanation.

CHAIRMAN WALLACE: Good dissertation. What else, Ken? Are you ready?

MR. WILLIAMS: Well, we're back to considering the California Homebuyer Downpayment Assistance Program --

CHAIRMAN WALLACE: Right.

MR. WILLIAMS: -- for your consideration for approval. There is a resolution in your package.

(Video presentation of project ends.)

CHAIRMAN WALLACE: I see it. Any further questions of Ken or Greg or Jerry? Julie.

MS. BORNSTEIN: If I just might make a comment. In addition to all of these programs available through CHFA, I will indicate that there was an additional $50 million in the Governor's package for home ownership to our department to administer through our in-house Cal Home program. Those Eunds could also be coupled in many ways with this program in that some of the Cal Home monies will go to the local governments to help fund that local government participation in down payment assistance. Other forms of the Cal Home program may go to the developer to bring the home costs down consistent with some of the same income levels so that the price then falls into the reasonable category to also make this program more effective.

At HCD we are very excited about this partnership with CHFA and being able to make a state effort towards increasing home ownership. But I don't want you to think that my lack of a vote on this resolution has anything to do with diminished enthusiasm. I'm assuming that there will be sufficient votes to pass the resolution without mine. Like your example, Mr. Chairman, since I am already the other signatory to this contract it just seems, although legal counsel has advised that I may legally vote for it, I think just in terms of the appearance of conflict I would prefer not to unless my vote is absolutely needed to pass the resolution.

The other additional comment: I know that Ken in his presentation had indicated that Terri said that we are planning to start this in October and that speed is of the essence. I will tell you that I have two copies of the interagency agreement that would implement the resolution should it be successful today, already signed by me, prepared for Terri's signature. (Laughter). If in fact, the resolution passes and Terri signs it today I will personally hop in my car at the conclusion of these meetings, drive, of course, at a safe and legal speed back, so it can be processed through the state system as quickly as possible so that the program can get underway and that the funds can be transferred.

CHAIRMAN WALLACE: On that high note, do I hear a motion in favor of the resolution?

MR. CZUKER: (Raised hand).

MS. HAWKINS: I will.

CHAIRMAN WALLACE: Mr. Czuker. Carrie, were you?

MS. HAWKINS: I certainly would.

CHAIRMAN WALLACE: Okay. Any discussion on that motion? Yes, Jeanne.

MS. PETERSON: No pressure, right, Julie? I just wanted to say that it's a terrible acronym, CHDAP. In addition to that, the Treasurer, as I think everybody knows, is excited for all the new money, like all of us are, that has gone for affordable housing this year. He also strongly believes in targeting, both at the income level and at the geographic level. That is to try to achieve home ownership in areas of neighborhood revitalization, in areas where it would assist in inclusionary zoning practices and in high-cost areas.

I have talked with Terri and staff a little bit about this in the last couple of days and have been advised that not only did the Legislature discuss the possibility of targeting either deeper income targeting or some kind of geographic targeting and discard that, ultimately. But that also one of the major reasons for doing it this way was to allow these funds, this $SO million, to be utilized, not only with the other CHFA programs but also with a variety of programs that municipalities or others might step up to the plate and assist with other kinds of down payment assistance.

So I just did want to go on record on the Treasurer's behalf to say that, hopefully, this money will go out quickly. And I would like to ask that we can get -- I think Terri has already mentioned that we can get a report back on where the money has gone, to what income levels and naybe by census tract or something like that. So that when we go back to the Legislature for more we can perhaps think about doing some more specific targeting.

MS. PARKER: Mr. Chairman.

CHAIRMAN WALLACE: Yes, Terri.

MS. PARKER: Could I just add one comment to that? I don't want to belabor and make this go any longer than it ieeds to. But I did want to point out that following what Jeanne had talked about, that Julie and I are planning some substantial joint marketing efforts. But we are also, and :his came out of our industry meeting, are planning marketing ɔpportunities. Fannie is including Greg in some meetings that they are having in San Francisco, Southern California, with subsidy providers.

So we plan to be trying to really market this in ways that we can be doing multiple layering. Much as Ed was making the comment and congratulating us on the multiple layerings of our multifamily. That's what we really, really want to see, if it can be done in this.

The one reason why we wanted to do a full presentation of all the Agency's down payment assistance. Because we had talked when we did our Business Plan. I was not sure whether or not if there was a bond or they did do down payment whether CHFA should continue. And my recommendation -- I think our recommendation to *you* is, particularly if we have the benefit of really targeting for low-income or high-cost areas, with all our resources, plus these general fund resources, plus our first mortgage. I'm really anxious to see what kind of difference we can make. And then taking that case back to the Legislature, hopefully to justify more money.

CHAIRMAN WALLACE: The last comment is for you, Carrie.

MS. HAWKINS: I just have to say this for the record: I have never experienced, in the more years than I'll admit to, anyone who has delivered housing programs more effectively than the CHFA staff. I'm saying comparing them to any private secondary market, corporation or agency. And by Julie coming to CHFA to administer this program instead of having it within her own jurisdiction and reinventing the wheel, I think you have just done an excellent and outstanding job and I just have to state that.

MR. WILLIAMS: Thank you.

CHAIRMAN WALLACE: Okay, thanks, men. Any questions from any other Board Member? Any questions from the audience on the resolution to approve this program? Hearing and seeing none, secretary, call the roll.

MS. OJIMA: Thank you. Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Abstain.

MS. OJIMA: Thank you. Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Ms. Easton?

MS. EASTON: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Klein?

MR. KLEIN: Aye.

MS. OJIMA: Mr. Wallace?

MR. WALLACE: Aye.

MS. OJIMA: Resolution 00-35 has been approved.

CHAIRMAN WALLACE: Resolution 00-35 is hereby approved. Moving quickly. Thank you. Thanks Ken and Greg and Jerry. Well done.

MR. CARTER: You're welcome.

DISCUSSION OF REPORTS

CHAIRMAN WALLACE: Item 6. Ken, we are back in your Reports section. You have got a couple of reports. Two or three. Three.

MR. CARLSON: Yes, I do, Mr. Chairman.

CHAIRMAN WALLACE: Want to hit the highlights?

MR. CARLSON: I'll hit the highlights here. Let's see.

CHAIRMAN WALLACE: Do you want to go back to down payment assistance, Ken?

MR. CARLSON: No. There we go.

(Video presentation of project begins.)

I have three reports. The first is a report about our recent bond sale. I think, certainly, you probably read the report. I think the most important thing about it is that we have finally succeeded in working in cooperation with the San Francisco Federal Home Loan Bank now as a major buyer of our taxable bonds. This is extremely important to us if we can keep them in there as an investor. This will greatly reduce the amount of bank liquidity that we need for variable rate bonds.

We don't know to what extent they will be able to be a regular buyer of our bonds but I think they should have a fairly large appetite. We're hoping that they go back to their Board in November to get more authority to buy our bonds. It is a wonderful marriage between the two organizations. There is a press release that they put out that's in your package there and I think it is worth reading.

CHAIRMAN WALLACE: This is the first time?

MR. CARLSON: This is the very first time. In the past, we sold a lot of fixed rate taxable bonds to other federal home loan banks but now the Federal Housing Finance Board has a new mission statement that has been approved and that they are operating under, which makes it more difficult for federal home loan banks to buy securities from housing agencies outside their districts. So it gives much more encouragement to banks to buy within their districts. The Federal Home Loan Bank, San Francisco has taken this to heart and seems to be very happy to be buying our bonds. Moving on.

MR. KLEIN: Mr. Chairman.

CHAIRMAN WALLACE: Yes, Bob.

MR. KLEIN: You had up there, there's a 53 basis point savings on the swap rate. Could you just comment on that for a second?

MR. CARLSON: Right. What I would like to say --

What we have asked each of our bankers to put together after they have completed a deal is how much overall -- they put up a dummy deal that was done on a fixed rate basis compared to what we have done in selling, floating and swapping back to fixed. In this case we saved 53 basis points overall on the entire transaction. We have seen generally between 50 and 60 basis points of savings.

What we have also been asking them to do now is, if you held the cost of funds constant for, like, this transaction at its cost of funds done using interest rate swaps, how much smaller would the deal have to be? How many fewer taxable bonds would be sold to give you the same cost of funds for a transaction? In this case, the taxable bonds would have gone from over $100 million down to $40 million, so we have lost $60 million worth of ability to make loans. And we looked at this on a yearly basis. I think what this means is out of the billion that we want to do, $400 million of it is coming from the swap savings, as long as we think we want to -- If we wanted to hold our cost of funds constant and be able to have transactions that gave us a return.

MR. KLEIN: I think that's just huge. I certainly would hope there was some way to write that up as a three page case study or something so that government, which is often attacked for lack of innovation, we should certainly try and highlight this type of contribution that is being made in this case by our staff.

CHAIRMAN WALLACE: Good point. Yes, Ed.

MR. CZUKER: While I agree with what was just said, I think you also have to recognize that there is an increased risk associated with a swap in the event you ever had to collect. In adverse economic times you run the risk that whoever the credit is behind, the swap may or may not honor their contract.

MR. KLEIN: You're doing this as AA or AAA?

MR. CARLSON: Right. We have four different swap counter-parties right now, the four leading bankers we work with. In some cases where the banks themselves have lower credit we have used their AAA subsidiaries. In other cases we have gone with the corporate credit of, say, Merrill Lynch or Solomon Smith Barney, for example, which are basically AA credits.

CHAIRMAN WALLACE: Okay.

MR. CARLSON: What I'd like to do, Mr. Chairman, in the interest of time I would like to move on.

CHAIRMAN WALLACE: To report number two.

MR. CARLSON: Yes, there we go. If I could move through this down to just talk about the workshop, maybe that would help.

CHAIRMAN WALLACE: Okay.

MR. CARLSON: Let me just click through these quickly. Did you get all that? (Laughter). I'd like a little bit of guidance concerning the workshop. Terri and I spent some time trying to figure out how we could best use your time. And I think one of the things, I'll try to not dominate the proceedings but I will give somewhat of an overview, I think, and introduce the experts that we have invited, with your permission.

The first is our swap advisor who we hired almost two years ago now, Peter Shapiro of Swap Financial Group. Without him we wouldn't be where we are now. We are very happy to have a contract with him and have him give us the guidance that he has.. We thought the best way to use his time, at least initially, is to give you his, sort of, canned presentation of what is a swap and what are the basic risks involved with it, how does it work, and give everyone a better base of knowledge concerning that. I know among the Board Members there is a variety of expertise ranging from --

CHAIRMAN WALLACE: That's a nice way to put it, Ken.

Mr. CARLSON: Right. So I think what we can do is work -- Mr. Shapiro is used to giving these types of presentations to boards and I think he can tailor it to however your Board responds to it and work with you on that. I think that should be a very efficient way.

MS. PARKER: Peter has attended our Board Meeting and in that sense has had the advantage, has he not?

MR. CARLSON: I'm not sure he has.

MS. PARKER: I thought he attended one of our meetings.

MR. KLEIN: I think he was here once.

MS. PARKER: Right.

MR. CARLSON: Okay.

MS. PARKER: I think he has had the opportunity to essentially get a feel for the Board Members.

CHAIRMAN WALLACE: And he's agreed to come back?

MR. CARLSON: Even after that, yes. Mr. Block, I think you have met now. He is our new San Francisco analyst for Standard and Poor's. He has replaced Pamela Berkowitz who is still at Standard and Poor's but is doing different things now. He would be prepared to give a presentation on how Standard and Poor's has responded to our request that we have some guidance about the amount of capital that we need to back these extra risks that we are taking.

He and the staff in New York have been working on a model that will help us, I think, to determine what our capital needs really are concerning the kind of business we have moved ahead with. I know Ms. Hawkins was asking, I think at the previous meeting, about how do we relate our capital to what we do and I think maybe this will help us to try to show another way in which we do that, or are going to try to do that. And more of this will come out in the extremely boring financial analysis to the Business Plan each year. We try to develop these themes and make it clear. I think this will help us make that clear, I think.

The other people who have been very important to our risk management are the people at Merrill Lynch who have been running the consolidated cash flows for our giant single family home mortgage revenue bond program, which now has hundreds of bond issues in it and like $5 billion worth of bonds. They are the ones who put together the analysis that we have already taken to the rating agencies. In fact, each year Terri and I have gone back there to show them what would happen under different circumstances to the variable rate debt that we have outstanding.

I don't know which of the two bankers will come. Perhaps Dr. Montoya who actually does the analysis, we may be able to get him to come out and talk about it, or David Notkin as well. I think what they can talk about is the risk management analysis that they will do, partly in response to Standard and Poor's criteria that they are trying to develop.

And we hope that we will use your time efficiently and I think we need some guidance about whether you think this is at least a good way to start on this and how much time people really want to spend on this. Perhaps this is a post-lunch kind of a thing given the amount of things that will be on the calendar already.

CHAIRMAN WALLACE: Yes, post-lunch. As I have already mentioned earlier in the meeting, we are probably going to have a fairly full morning. My sense is no more than an hour-and-a-half. Somebody chip in. A half hour on each? It's a terrific sounding agenda to me.

MR. KLEIN: Of course, I have a significant interest in understanding our risk positions. That is clearly right. We do have additional risk. We have a great deal of confidence in the staff but I think we have a responsibility to understand it. My concern is, to understand it in a meaningful way, each of those three speakers, I think you have got to give them 45 minutes each. I'd like to hear from the other Board Members because they may not be prepared to listen for that long.

But we have, as has just been mentioned, substantial increases to the scope of our programs through the swap structure, and as Ed has properly referenced, it brings with it risk. How much time are we prepared to spend to educate ourselves here?

CHAIRMAN WALLACE: I can see in that post-lunch, I can see us taking all of the pre-lunch hours with the normal agenda. A brief break for lunch. I think if we push too hard and too far, travel plans -- I would rather if you think that a half hour on each is not adequate for introduction then I am going to suggest we lop one off and do it -- We don't have to cover the waterfront all in one session. In fact, we may be better off that way. I suspect, Bob, we could almost make an hour on three different occasions on all three subjects. But I know we are going to get antsy by 2:30 and you are going to be worrying about planes and not focusing on this. Besides, one o'clock classes used to be the bane of my existence right after lunch when I was going to college. So all that in mind --

MR. KLEIN: Can we have more effective time if we eat lunch through this program?

CHAIRMAN WALLACE: Sure. I don't mind doing that. Terri?

MS. PARKER: I'll work with JoJo and we will work with all of you about having -- We will try to see what we can do as far as some sort of lunch. The only thing that I would -- I think it is very good for you to discuss what you want to do. Peter is located here in San Francisco.

MR. CARLSON: Peter Block, yes.

MS. PARKER: But Dr. Montoya and David Notkin and Peter are all coming from New York. So I would want to see you, if we are going to have them, fully utilize what they can bring. Particularly the presentation that Dr. Montoya and maybe David would do. These are things that we go to the rating agencies with. And we probably spend, just going through that with them, how much time, Ken? I mean, that could be something in and of itself. And I really would hate to see you not really get into the depth that you want to.

So I think from that standpoint if you wanted to pick some parts of these. These are all the kinds of things -- Frankly, Ken and I talked about other things but we didn't put them on. We're hoping that we're getting at the kinds of things you are interested in. Julie has a comment.

CHAIRMAN WALLACE: Does anybody disagree these are all worthwhile for our education? Then it becomes, I think, a matter of not trying to cram too much. I think that's too big a field then, the way you are discussing people coming from New York. I would be inclined to drop Peter Block into a second workshop session, at a minimum. But I am still disinclined, with the kind of agenda that I anticipate for the December 7 meeting, to drag you much past 2:30, or at the outside, 3 o'clock.

MR. KLEIN: Well, if we work through lunch 2:30 would give us a couple of hours plus a half hour overview introduction or something. So we could handle two of them. And Peter Block, Standard and Poor's analysis, it might be -- As you suggested, if we deferred that one we would have the benefit of all the background from the other two when we did have the S&P discussion.

CHAIRMAN WALLACE: What about, then, assuming we can get out for lunch at noon or even maybe a little precedent to that, probably not much. I can see a half hour, almost, of milling around getting lunch, getting back to the table and getting set up. Arguably, we could start no later than one and allocate an hour-and-a-half. You tell me, Ken. An hour-and-a-half to your overview. No, don't smile yet. Maybe you can do a 20 minute overview and we allocate another hour and a quarter or some 15, 20 minutes.

MR. CARLSON: I think --

CHAIRMAN WALLACE: If you want I can rule with a little more iron hand in the morning.

MR. KLEIN: Julie had a comment too.

MS. BORNSTEIN: I do support Bob's recommendation that perhaps we eat through the presentation. Because I would like to bring some of our staff to the workshop as well. I think it would be beneficial. Of course, I don't have the same constraints those of you from the private sector have. I am a state employee so I can spend the whole day here and I don't have any business interests that suffer from doing that. I could see us also getting involved with questions and follow-up so I would like to encourage as much time as possible that the rest of you can devote to this on that particular day.

The other suggestion I might have that might make our time more efficient on that day is if we could have included in our Board Agenda when we get it any materials that these presenters think that would be helpful for our review in advance of the workshop. That, then, might give us a more informed context, I feel my personal knowledge on this subject is very superficial and so if I had some materials in advance, I think I would be better able to absorb the material and ask more informed questions.

CHAIRMAN WALLACE: Is it intelligent of us just to pick one of these subjects plus your overview'for this first workshop?

MR. CARLSON: Mr. Chairman, I think after hearing the discussion I think, perhaps, that is a good idea. One way to divide this up that might work well is to just have myself and Mr. Shapiro. Have Mr. Shapiro put on his presentation, have Mr. Block here able to talk about -- Since it is just a drive down the road have him here able to make a short presentation about risks involved. But I think Mr. Shapiro can clearly handle the basic risks involved with interest rate swaps. But Mr. Block could, perhaps, give a short presentation. Then we could bring Mr. Block back at a later time, with the bankers, to talk about how they are doing the analysis. I think that might be a good way to divide the business up and use -- the people that have to travel so far, use their time as wisely as possible.

CHAIRMAN WALLACE: Yes.

MS. PARKER: Are you still -- I just want to clarify because we had, as I mentioned, planned on having this manager from General Services come and speak to you about liability. Does that help?

CHAIRMAN WALLACE: That's right.

MS. PARKER: We've got six projects, we've got that item. I want to make sure, you know, realistically. I'm just looking at that we had two projects today. So from the standpoint of --

CHAIRMAN WALLACE: Of course, we expand the conversation and debate to fit the hour. So I'm not going to deliver you out even today on what I thought was going to be a pretty fast agenda. So I worry. And I had forgotten that, Terri. We need to break it up a little and do some of this in January. I think we take one of these plus you; and if you get Peter Block to sit in on it I think that's wonderful.

But we are going to be hard -- And as an absolute outside time I see 3 o'clock, and I'd prefer 2:30. I'd prefer to get the business at hand, out before noon. Yes, I agree, take a fast shuffle for lunch and get the program kicked off by 12:30, or at the latest, 1. I see allocating maybe an hour-and-a-half and if we're lucky we get a little more than that, an hour-and-three-quarters for whomever you think gives us the best introduction and lead-in program. It's certainly obvious we shouldn't have two parties fly out from New York into this kind of a time frame.

MR. KLEIN: I just advocate if they could just deliver us sandwiches in here.

CHAIRMAN WALLACE: Sure.

MR. KLEIN: We don't have to leave anywhere or go anywhere. We could be operating again by 12:30.

MS. PARKER: JoJo and I will look to see if we can do some kind of a buffet or something.

CHAIRMAN WALLACE: They do that. They used to do it in the foyer out here.

MS. PARKER: We'll work through it, depending on whatever your individual dietary needs are, within limitations.

CHAIRMAN WALLACE: But there's going to be 20 minutes of shuffling just to get up, stretch, take a break, make a few phone calls, grab -- the tuna will be the first to go, followed by chicken salad and roast beef on the rail.

MR. KLEIN: Let it be known this is a hardworking Board.

CHAIRMAN WALLACE: Right. Ken, in that context, does that help you redesign the program. And then let's do mother one early in the year.

MR. CARLSON: That would be fine. I think what I just said is probably what I would propose bringing. I see people nodding their heads and I think that's what I will try to do. And I'm sure Mr. Shapiro has materials that we can deliver to you with your regular Board package.

CHAIRMAN WALLACE: Okay.

MS. PARKER: I concur because I think Dr. Montoya and David Notkin, that's a whole item that's very interesting in and of itself.

CHAIRMAN WALLACE: And would make a full workshop.

MS. PARKER: Right. It's very interesting. And I think in that sense the building blocks -- by doing it this way, frankly, I think it's a good utilization of your time. You're not going to glaze over with -- So good, we will pursue that.

CHAIRMAN WALLACE: Okay. The next Board Meeting after that is January 11, here again, so it fits kind of the format if you're thinking for the second workshop, ahead a little bit. Okay?

MR. CARLSON: Thank you, Mr. Chairman. Again, there were three reports there, including the variable rate risk report that I put in every package, plus there is annual report about investments. I'm glad to answer questions about any of them.

CHAIRMAN WALLACE: Seeing no questions, thanks, Ken. That's handled with your usual dispatch.

MR. CARLSON: Thank you.

CHAIRMAN WALLACE: Which gets us to Item 7.

RESOLUTION 00-CLOSED SESSION

Item 7, the Board is going to go into Executive Session because it is a personnel matter under Government Code Section 11126(a)(1). I'd ask, therefore that the Board stay right where you are for the moment as well as Terri, Sandy and Jackie to sit in with us to help us. We shall return. This is Bataan. We are going to return and report any action items when we do return. The meeting is not adjourned, it is recessed while the Board goes into Executive Session. We will be back. *Any* of you that want to return I anticipate 15 minutes on the low side and half an hour on the high side. If we haven't returned by then call 911. We are in recess as described.

JoJo just reminded me we didn't have discussion on the state legislation. Typically we don't, but if you have questions when we come back on either of those, or we can defer it to the next meeting. Though I hate to do that, we have already jammed it enough. So we are in a quick recess.

(Off the record. The Board was in closed session from 12:00 to 12:41 p.m. Mr. Czuker and Ms. Peterson left after the closed session but prior to the Board Meeting going back on the record.)

CHAIRMAN WALLACE: I call the public session back in order to report out Item 7. The Board went into Executive

Session to discuss and debate a recommendation for Director of Multifamily Housing. The Board is unanimous and very enthusiastically supporting Linn Warren as our -- And by the way, the first question I asked him in the interview was, how do *you* spell Linn, and it's L-I-N-N. And don't ask me to tell you why it's that but he may in private session if we want to adjourn again. But, Linn, we are pleased, proud and extremely thrilled that you are our appointee as Director of Multifamily Housing. We look forward to some, as we have talked with *you* in private sessions, some creativity. Pushing some envelopes commensurate with risk. I think we asked you in the first 100 days, come back and tell us how good you really can be.

MR. WARREN: Okay, thank you.

CHAIRMAN WALLACE: With a new game plan for your department.

MR. WARREN: Certainly.

CHAIRMAN WALLACE: As I started to say earlier, Terri will be discussing with Linn the salary package, start date and things like that but I can tell you he is going to like what she has to say. And we had a little discussion on that. With that, that concludes Item 7 unless anybody wants to add anything.

<u>OTHER BOARD MATTERS</u>

If not, one item for you, Bob. Just as you came in we were concluding the discussion and approved, had a quorum sufficient to approve the minutes of the prior meeting. The secretary would like to know if you read yours, even though you didn't participate in the discussion, and could support that amendment.

MR. KLEIN: I will support the motion and I will go back and read the minutes.

CHAIRMAN WALLACE: Subject to reading the minutes. Okay.

MS. OJIMA: Thank you.

CHAIRMAN WALLACE: That takes care of that housekeeping item.

PUBLIC TESTIMONY

Item 9, any other items to come before the Board Erom the audience? Hearing none let me again remind, Carrie and John and Terri and I need to stay for the insurance committee meeting. Other than that, this meeting is adjourned. Thanks for your indulgence.

(Thereupon the meeting was adjourned at 12:44 p.m.)

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I, Ramona Cota, a duly designated transcriber do hereby declare and certify, under penalty of perjury, that I have transcribed two (2) tapes in number and this covers a total of pages 1 through 107, and which recording was duly recorded at Millbrae, California, in the matter of the Board of Directors Public Meeting of the California Housing Finance Agency on the 12th day of October, 2000, and that the foregoing pages constitute a true, complete and accurate transcript of the aforementioned tapes, to the best of my ability.

Dated this 29th day of October, 2000, at Sacramento County, California.

Ramona Cota

Ramona Cota, Official Transcriber

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Executive Summary

Date: 21-Nov-00

Project Profile:

Project :	Willow Glen Sr. Apts.	*Borrower:*	Willow Glen Housing Partners, L.P.
Locution:	461 Willow Glen Way	*GP:*	Community Housing Developers
City:	San Jose	LP:	Related Companies
County:	Santa Clara	*Program:*	Tax Exempt
Type:	Senior	*CHFA # :*	00-028-N

Financing Summary

	Final	Per Unit
CHFA First Mortgage	$9,700,000	$72,932
City of San Jose	$8,400,000	$63,158
Loan 5	$0	$0
Other Loans	$0	$0
Developer Equity	$0	$0
Deferred Developer Equity	$60,855	$458
Tax Credits	$4,266,000	$32,075
CHFA Bridge	$0	$0
CHFA HAT	$0	$0

Loan to Value

Loan to Cost
43.3%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	557	56	45%	$703	$31,320
1 BR	557	65	50%	$784	$34,800
2 BR	764	11	50%	$930	$39,150
2 BR	764	1	Mgr	$0	Mkt
		133			

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Project Name: Willow Glen Senior Apartments

CHFA Project #00-028-N

SUMMARY:

This is a Final Commitment request for a tax-exempt first mortgage in the amount of $9,700,000 amortized over 30 years at 6.10%. Willow Glen Senior Apartments is a 133-unit, new construction project located at 460 Northern Road, 467-479 Willow Glen Way and 1701 and 1707 Almaden Road in San Jose, in Santa Clara County.

LOAN TERMS:	**1st MORTGAGE**
Loan Amount	$9,700,000
Interest Rate:	6.10%
Term:	30 years
Financing:	Tax-exempt

FINANCING:

The City was awarded tax-exempt private activity bond allocation for the project and Wells Fargo will purchase the bonds through a private placement and fund a loan for the purpose of acquiring and rehabilitating the property. The Wells Fargo loan is for a 24 month term. CHFA will refund the local bond issued and retire the Wells Fargo loan upon completion of the project, rent-up and stabilization of occupancy.

LOCALITY INVOLVEMENT:

In addition to issuing the construction bond financing, the City will finance one loan totaling $8,400,000 through a residual receipts loan at 3% interest for 40 years. These loans will be funded by the City using their 20% Housing Fund program and other City funds.

PROJECT DESCRIPTION:

The site consists of two lots located on either side of Willow Glen Way; one triangular shaped lot with four parcels, the other with two parcels. The triangular shaped lot that occupies a full City block is bordered by Willow Glen Way to the south, Cross Way to the east and Northern Road to the northwest. The other two parcels are part of a City block that borders Willow Glen Way to the north, Almaden Road to the east and other parcels to the south and west. This lot totals 1.2 acres and is zoned A(PD) which allows for a Qualified Residential Rental Project (multifamily housing) with no more than 48.33 units per acre. The 58 units intended for this lot conform to existing zoning requirements. The triangular lot on 1.6 acres is also zoned A(PD) and the 75 units are within zoning limitations.

The project includes 133 garden-style apartments in 2 three-story buildings; one building with 58 units and one building with 75 units. The 58-unit building will have one elevator and the 75-unit building will have 2 elevators. The unit mix consists of 121 one-bedroom, one-bath units (557 square feet) and 12 two-bedroom, one-bath units (764 square feet). Unit amenities include air conditioning, dishwashers, microwaves, patios'or balconies and walk-in closets in the two bedroom units. Other amenities for the project include approximately 2,000 square foot of community space divided between the two lots, each with a computer/learning center, a leasing office and laundry rooms. The 75 unit building also includes a fitness room and a spa. Outdoor amenities at each site include, a BBQ area, and gated pedestrian access. A total of 116 parking spaces with 25 tuck-under, covered spaces and 91 uncovered spaces are planned.

The project is surrounded by divergent uses from the developed residential patterns in the rest of the neighborhood. The Primary Market Area ("PMA") neighborhood is known as the Willow Glen area, and is located south of downtown San Jose's central business district. The PMA is boardered by Willow Street to the north, Meridian Avenue to the west, Highway 87 to the east and Tully Road/Curtner Avenue to the south. Uses adjacent to the two lots include from single family residential, retail commercial property, a water pumping station and some single-family homes being used to store heavy equipment.

There are several bus routes through the area, and the closest bus stop is within ¼ mile from the project. The Santa Clara County Light Rail system, and the Caltrain railroad line are within ½ mile of the project. The project will provide van transportation for the tenants.

The project is proximate to senior services, a hospital and parks. Grocery shopping is located four blocks west of the project on Lincoln Avenue, the primary commercial comdor in the Willow Glen area with older retail and restaurant buildings.

RELOCATION

Acquisition of the land required some relocation. The development budget includes $100,000 to cover the relocation costs of three commercial tenants and one storage tenant. The units are vacant and have been demolished.

MARKET DEMAND:

Santa Clara County ("the County") is the most populous of nine San Francisco Bay Area counties with an estimated 1,687,960 inhabitants. Economic expansion during 1995-1999 was very strong for the San Jose area. The County's unemployment rate was 2.2% as of February 2000, and continues to fall although the significant economic growth rate is now stabilizing.

San Jose is situated in the north-central portion of the County 40 miles southeast of the City of San Francisco and 35 southeast of the City of Oakland. It extends south of the San Francisco Bay on the north to the valleys of the Santa Cruz and Diablo mountains on the south. San Jose is the largest city in Northern California with a population of approximately 1 million residents and the third largest city in the State. The City has enjoyed solid housing demand due to its centralized location and broad range of employment opportunities. The City has the majority of available development land in the valley.

The City's average household income in 1995 of $65,300 is lower than the county average during the same year of $73,800. ABAG estimates that this income gap will continue and it is expected to widen with a projected 24% increase in income in the City to 2015 and a 34% increase in the county to 2015. The City's unemployment rate was 2.6% as of February 2000.

The average sale price for a single family home in the Willow Glen area was $525,087 in March 2000, a 12% increase over the prior year. Condominium and townhouse sales show similar appreciation. The lack of affordable single family housing is a primary factor in the high levels of demand for rental units. Housing costs in Santa Clara County are behind only Marin and San Mateo counties housing economy. In the fourth quarter of 1999 the average rental vacancy rate was 3.78, similar to the 3.6% vacancy rate the year before. Rents appear to be stabilizing after annual gains as high as 20% during the 1995-1998 period. Projections by Marcus & Millichap are that rents will increase by 2 –3 percent and vacancy rates may increase to 4%. Approximately 28% of senior households in the PMA are income qualified to reside at the project.

The PMA's median household income level in 2000 was $51,027 and is lower than both the income levels in the City and county. The senior population base in PMA is approximately 25.7% of the total population. This is slightly higher than the senior population base of the overall county **(25.3%).** Senior households (55-80 years) in the PMA are projected to grow from **8,549** in **1999** to **9,830** in **2004** for an annual growth rate of **2.61%.** This is more than twice the annual projected household growth for senior households in the county that is projected to increase by **1.12%** over the same period.

Rent Differentials (Market vs. Restricted Subject Rents)

Rent Level	Subject	Market	Dif. Btwn Market	% of Market
One Bedroom				
45% rents	**$703**	**$1,419**	**$716**	**50%**
50% rents	**$784**	**$1,419**	**$635**	**55%**
Two Bedroom				
50% rents	**$930**	**$1,548**	**$618**	**60%**

HOUSING SUPPLY:

The PMA includes market rate family rental projects and senior affordable projects. There are no market rate senior projects. Four market rate family projects and three senior **LMTC** projects, containing a total of **1,418** units were reviewed. The market rate rental projects accounted for **1,006** units and the senior affordable projects included **412** units. Four affordable new construction projects are proposed in the PMA; three are family projects and one is a senior project. While the family projects are not anticipated **to be** competitive because of their focus, one of the projects (Italian Gardens) will be ¼ mile east of the project. The senior **LIHTC** project, Sierra Senior Apartments, will be **7** miles northeast of the project and is considered indirect competition. Sierra Senior Apartments will offer **96** one-bedroom units at **50%** and **60%** of **AMI** and it is expected to open in February **2001.**

The market rate projects are on average **12** years old and are inferior to **the** project. None of the market rate projects offer senior oriented amenities, such **as** social activities and transportation. One senior **LIHTC** project, Vista Park Apartments, opened in May 2000. The first phase **(82** units) is being leased with an average absorption rate of **20** units per month. Phase II (another **82** units) is expected to open in December **2000.** The seven projects are **100%** occupied, and two senior projects have waiting lists of **10-15** people each. **The** project is the only senior project in the PMA to offer two-bedroom units.

The unit sizes for the project ***are*** smaller than market rate family projects; the one-bedroom units **are 29%** smaller and the two-bedroom units are **20%** smaller. This is not uncommon because senior apartments are generally smaller than family apartments. Compared to the affordable senior units, the one-bedroom units are, on average, 3% larger in the project and there is no basis for comparison with the two-bedroom units. One market rate family project (Rosewalk at Waterford) offers comparable unit features and superior common area amenities. The LIHTC senior projects do not offer microwaves or dishwashers.

Based on the absorption rates experienced at Vista Park, and the overall high occupancy rates, senior housing within the PMA will remain below the saturation point even after completion of Phase II of Vista Park, Sierra Senior Apartments and this project. The lack of existing two-bedroom senior units in the PMA is considered a marketing advantage for the project. Supply will continue to exceed demand.

OCCUPANCY RESTRICTIONS:

Redevelopment Agency City of San Jose:	**46%** of the one-bedroom units **(56) are** restricted to **45%** of median income.
	54% of the one-bedroom units ***(65)*** are restricted to ***50%*** of median income.
	100% of the two-bedroom units (11) are restricted to ***50%*** of median income.
CHFA:	**20%** of the units **(27)** are restricted to ***50%*** of median income.
TCAC:	100% of the units **(132)** restricted to 60% of median income.

ENVIRONMENTAL:

Two Phase I reports were prepared for the project, one on each lot. The first was prepared by Confidential Compliance Consultants and is dated June **25,** 2000. No adverse conditions were noted. The second report was prepared by Krazan & Associates and is dated October 20, 2000.

An Asbestos Survey **was** completed by Krazan & Associates in February, 1999. There is asbestos in the floor sheeting in two of the single-family residences. The Phase I reported completed by Krazan & Associates updated and confirmed the presence of this asbestos. The single family residences have been demolished and all asbestos containing material has been removed.

A Noise report **was** prepared on August 24, 2000 by Lilac Acoustics. Interior noise levels will comply since the units have air-conditioning **so** windows can be kept closed. Exterior noise levels require a six-foot high air-tight fence for 150 feet along the south property line starting at its east end. The drawings and specifications incorporate these requirements.

A Seismic Risk Assessment (Level 2) was completed by Dames & Moore on August 23, 2000. The damage risk was below CHFA's acceptance levels and no further review is necessary.

ARTICLE 34:

A letter from the Director of Housing for the City of San Jose dated August 3, 2000 states that there is voter approval to construct the 133 unit project under existing Article 34 authority.

DEVELOPMENT TEAM

Borrower's Profile: The Borrower is the Willow Glen Housing Partners, a California Limited Partnership. The Administrative General Partner is Related/Willow Glen Development Co., LLC, a California Limited Liability Corporation and the Managing General Partner is Community Housing Developers, Inc., a Califomia nonprofit corporation.

Related/Willow Glen Development Co., LLC is comprised of The Nicholas Company Inc., a Delaware corporation as the General Manager and Related General IV, L.P., a Delaware limited partnership as a Member of the corporation. The Related Companies of California, a for profit developer of affordable housing projects is a major participant in the LLC. The Related Companies of California is an affiliate of The Related Companies, Inc. ("Related") which is a fully integrated real estate firm, with divisions specializing in development, project management, financial services and property management.

Community Housing Developers, Inc. was founded in 1979 to provide housing assistance to those in need in the County. They currently manage 2,500 units in 21 projects and they have an ownership interest and manage seven projects with a total of 1,074 units. Community Housing Developers, Inc. is the managing non-profit on two projects in the CHFA portfolio, Stevens Creek Apartments and El Rancho Verde Apartments.

Contractor: The contractor is Green Valley Corporation, a licensed full service contractor since 1961. Green Valley Corporation acts as the architect, developer and property manager on many of its projects. They act as the contractor on residential, medical, retail and industrial construction and recently completed four family apartment projects with a total of 452 units in Santa Clara County.

Architect: The Steinberg Group is the architect on this project. The Steinberg Group was established in 1953 as an architectural, planning and interior design firm specializing in affordable residential housing. They have been the architect on several projects in the CHFA portfolio.

Management Agent: Related Management Company will manage the project. They have a rigorous preventative maintenance program and ongoing employee training which enable the company to keep operating expenses and capital expenditure levels below those of competing projects. Nationally the company manages over 14,300 residential units, including El Rancho Verde Apartments, a 700 unit project in the CHFA portfolio.

Project Summary

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Date: 21-Nov-00

Project Profile:

Project : Willow Glen Sr. Apts.
Location: 461 Willow Glen Way
San Jose
ounty/Zip: Santa Cl: 95125
Borrower: Willow Glen Housing Partn
GP: Community Housing Devel
LP: Related Companies

Program: Tax Exempt
CHFA#: 00-028-N

Appraiser: Randy Elston, MAI
Pacific Real Estate Appraisal
Cap Rate: 7.75%
Market: $ 13,600,000
Income: $ 13,300,000
Final Value: $ 13,300,000

LTC/LTV:
Loan/Cost 43.3%
Loan/Value 72.9%

Project Description:

Units	133
Handicap Units	7
Bldge Type	New Construction
Buildings	2
Stories	3
Gross Sq Ft	107.655
Land sq Ft	133.940
Units/Acre	43
Total Parking	116
Covered Parking	25

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$9,700,000	$72,932	6.109	30
City of San Jose	$8,400,000	$63,158	3.00%	40
Loan 5	$0	$0	0.00%	
Other Loans	$0	$0		
Developer Equity	$0	$0		
Tax Credit Equity	$4,266,000	$32.075		
Deferred Developer Fee	$60,855	$458		
CHFA Bridge	$0	$0	0.00%	-
CHFA HAT	$0	$0	0.00%	-

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	557	56	45%	$703	$31,320
1 BR	557	65	50%	$784	$34,800
2 BR	764	11	50%	$930	$39,150
2 BR	764	1	Mgr	0	Mkt
		133			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	1.00%	of Loan Amount	$97,000	Cash
Finance Fee	1.00%	of Loan Amount	$97,000	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$97,000	Letter of Credit
Rent Up Account	15.00%	of Gross Income	$182,441	Letter of Credit
Operating Expense Reserve	10.00%	of Gross Income	$121,627	Letter of Credit
Marketing	10.00%	of Gross Income	$121,627	Letter of Credit
Annual Replacement Reserve Deposit	$225	Per Unit	$29,925	Operations
Construction Defects Security Agreem	2.508	of Hard Costs	$230,505	Letter of Credit

Sources and Uses

SOURCES:

Name of Lender / Source	Amount	$ per Unit
CHFA First Mortgage	9,700,000	$72,932
CHFA Bridge	0	$0
CHFA HAT	0	$0
City of San Jose	8,400,000	$63,158
Loan 5	0	$0
Other Loans	0	$0
Total Institutional Financing	**18,100,000**	$136,090
Equity Financing		
Tax Credits	4,266,000	$32,075
Deferred Developer Equity	60,855	$458
Total Equity Financing	4,326,855	$32,533
TOTAL SOURCES	22,426,855	$168,623

USES:

Acquisition	4,842,900	$36,413
Rehabilitation	0	$0
New Construction	12,186,657	$91,629
Architectual Fees	300,000	$2,256
Survey and Engineering	300,000	$2,256
Const. Loan Interest & Fees	1,228,796	$9,239
Permanent Financing	194,500	$1,462
Legal Fees	125,000	$940
Reserves	425,695	$3,201
Contract Costs	12,000	$90
Construction Contingency	728,955	$5,481
Local Fees	389,352	$2,927
TCAC/Other Costs	218,000	$1,639
PROJECT COSTS	**20,951,885**	$157,533
Developer Overhead/Profit	1,200,000	$9,023
Consultant/Processing Agent	275,000	$2,068
TOTAL USES	22,426,855	$168,623

Annual Operating Budget — Willow Glen Sr. Apts.

		% of total	$ per unit
INCOME:			
Total Rental Income	1,206,696	99.2%	9,073
Laundry	9,576	0.8%	72
Other Income	0	0.0%	-
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	**1,216,272**	**100.0%**	**9,148**
Less:			
Vacancy Loss	60,814	5.0%	457
Total Net Revenue	**1,155,458**	**95.0%**	**8,688**
EXPENSES:			
Payroll	101,436	9.3%	763
Administrative	83,560	7.7%	628
Utilities	35,945	3.3%	270
Operating and Maintenance	71,775	6.6%	540
Insurance and Business Taxes	35,650	3.3%	268
- Taxes and Assessments	22,750	2.1%	171
Reserve for Replacement Deposits	29,925	2.8%	225
Subtotal Operating Expenses	**381,041**	**35.1%**	**2,865**
Financial Expenses			
Mortgage Payments (1st loan)	705,378	64.9%	5,304
Total Financial	**705,378**	**64.9%**	**5,304**
Total Project Expenses	**1,086,419**	**100.0%**	**8,169**

Cash Flow

Willow Glen Sr. Apt CHFA # 00-028-N

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Market Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,206,696	1,236,863	1,267,785	1,299,480	1,331,967	1,365,266	1,399,397	1,434,382	1,470,242	1,506,998
TOTAL RENTAL INCOME	**1,206,696**	**1,236,863**	**1,267,785**	**1,299,480**	**1,331,967**	**1,365,266**	**1,399,397**	**1,434,382**	**1,470,242**	**1,506,998**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	9,576	9,815	10,061	10,312	10,570	10,834	11,105	11,383	11,667	11,959
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**9,576**	**9,815**	**10,061**	**10,312**	**10,570**	**10,834**	**11,105**	**11,383**	**11,667**	**11,959**
GROSS INCOME	**1,216,272**	**1,246,679**	**1,277,846**	**1,309,792**	**1,342,537**	**1,376,100**	**1,410,503**	**1,445,765**	**1,481,909**	**1,518,957**
Vacancy Rate : Market	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	60,814	62,334	63,892	65,490	67,127	68,805	70,525	72,288	74,095	75,948
EFFECTIVE GROSS INCOME	**1,155,458**	**1,184,345**	**1,213,954**	**1,244,302**	**1,275,410**	**1,307,295**	**1,339,978**	**1,373,477**	**1,407,814**	**1,443,009**
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	328,366	341,501	355,161	369,367	384,142	399,507	415,488	432,107	449,392	467,367
Replacement Reserve	29,925	29,925	29,925	29,925	29,925	31,421	31,421	31,421	31,421	31,421
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	22,750	23,205	23,669	24,142	24,625	25,118	25,620	26,133	26,655	27,188
TOTAL EXPENSES	**381,041**	**394,631**	**408,755**	**423,435**	**438,692**	**456,047**	**472,529**	**489,661**	**507,468**	**525,977**
NET OPERATING INCOME	**774,417**	**789,714**	**805,199**	**820,868**	**836,718**	**851,249**	**867,448**	**883,816**	**900,346**	**917,032**
DEBT SERVICE										
CHFA - 1st Mortgage	705,378	705,378	705,378	705,378	705,378	[illegible]5,3[illegible]	[illegible],378	70[illegible],3[illegible]	705[illegible]	705,3[illegible]
CHFA - Bridge Loan	0	0	0	0	0					
CHFA - HAT Loan	0	0	0	0	0					
CASH FLOW after debt service	**69,039**	**84,336**	**99,821**	**115,490**	**131,340**	**145,871**	**162,070**	**178,438**	**194,968**	**211,654**
DEBT COVERAGE RATIO	**1.10**	**1.12**	**1.14**	**1.16**	**1.19**	**1.21**	**1.23**	**1.25**	**1.28**	**1.30**

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Market Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,544,673	1,583,290	1,622,872	1,663,444	1,705,030	1,747,656	1,791,347	1,836,131	1,882,034	1,929,085
TOTAL RENTAL INCOME	**1,544,673**	**1,583,290**	**1,622,872**	**1,663,444**	**1,705,030**	**1,747,656**	**1,791,347**	**1,836,131**	**1,882,034**	**1,929,085**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	12,258	12,565	12,879	13,201	13,531	13,869	14,216	14,571	14,935	15,309
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**12,258**	**12,565**	**12,879**	**13,201**	**13,531**	**13,869**	**14,216**	**14,571**	**14,935**	**15,309**
GROSS INCOME	**1,556,931**	**1,595,854**	**1,635,751**	**1,676,644**	**1,718,561**	**1,761,525**	**1,805,563**	**1,850,702**	**1,896,969**	**1,944,393**
Vacancy Rate : Market	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	77,847	79,793	81,788	83,832	85,928	88,076	90,278	92,535	94,848	97,220
EFFECTIVE GROSS INCOME	**1,479,084**	**1,516,062**	**1,553,963**	**1,592,812**	**1,632,632**	**1,673,448**	**1,715,285**	**1,758,167**	**1,802,121**	**1,847,174**
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	486,062	505,504	525,725	546,754	568,624	591,369	615,023	639,624	665,209	691,818
Replacement Reserve	32,992	32,992	32,992	32,992	32,992	34,642	34,642	34,642	34,642	34,642
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	27,732	28,287	28,853	29,430	30,018	30,619	31,231	31,855	32,493	33,142
TOTAL EXPENSES	**546,786**	**566,783**	**587,569**	**609,175**	**631,634**	**656,629**	**680,896**	**706,122**	**732,344**	**759,602**
NET OPERATING INCOME	**932,298**	**949,278**	**966,394**	**983,637**	**1,000,998**	**1,016,819**	**1,034,388**	**1,052,045**	**1,069,777**	**1,087,572**
DEBT SERVICE										
CHFA - 1st Mortgage	705,378	705,378	705,378	705,378	705,378	705,378	705,378	705,378	705,378	705,378
CHFA - Bridge Loan										
CHFA - HAT Loan										
CASH FLOW after debt service	**226,920**	**243,900**	**261,016**	**278,259**	**295,620**	**311,441**	**329,010**	**346,667**	**364,399**	**382,194**
DEBT COVERAGE RATIO	**1.32**	**1.35**	**1.37**	**1.39**	**1.42**	**1.44**	**1.47**	**1.49**	**1.52**	**1.54**

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,977,312	2,026,745	2,077,413	2,129,349	2,182,582	2,237,147	2,293,076	2,350,402	2,409,163	2,469,392
TOTAL RENTAL INCOME	**1,977,312**	**2,026,745**	**2,077,413**	**2,129,349**	**2,182,582**	**2,237,147**	**2,293,076**	**2,350,403**	**2,409,163**	**2,469,392**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	15,691	16,084	16,486	16,898	17,320	17,753	18,197	18,652	19,118	19,596
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**15,691**	**16,084**	**16,486**	**16,898**	**17,320**	**17,753**	**18,197**	**18,652**	**19,118**	**19,596**
GROSS INCOME	**1,993,003**	**2,042,828**	**2,093,899**	**2,146,247**	**2,199,903**	**2,254,900**	**2,311,273**	**2,369,055**	**2,428,281**	**2.488.988**
Vacancy Rate : Market	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	99,650	102,141	104,695	107,312	109,995	112,745	115,564	118,453	121,414	124,449
EFFECTIVE GROSS INCOME	**1,893,353**	**1,940,687**	**1,989,204**	**2,038,934**	**2,089,908**	**2,142,155**	**2,195,709**	**2,250,602**	**2,306,867**	**2,364,539**
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	719,490	748,270	778,201	809,329	841,702	875,370	910,385	946,800	984,672	1,024,059
Replacement Reserve	36,374	36,374	36,374	36,374	36,374	38,193	38,193	38,193	38,193	38,193
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	33,805	34,481	35,171	35,874	36,592	37,324	38,070	38,832	39,608	40,400
TOTAL EXPENSES	**789,670**	**819,125**	**849,746**	**881,577**	**914,668**	**950,887**	**986,648**	**1,023,825**	**1,062,473**	**1,102,652**
NET OPERATING INCOME	**1,103,683**	**1,121,562**	**1,139,458**	**1,157,357**	**1,175,240**	**1,191,269**	**1,209,061**	**1,226,777**	**1,244,394**	**1,261,886**
DEBT SERVICE										
CHFA - 1st Mortgage	705,378	705,378	705,378	705,378	705,378	705,378	705,378	705,378	705,378	705,378
CHFA - Bridge Loan										
CHFA - HAT Loan										
CASH FLOW after debt service	**398,306**	**416,184**	**434,080**	**451,979**	**469,862**	**485,891**	**503,683**	**521,399**	**539,016**	**556,508**
DEBT COVERAGE RATIO	**1.56**	**1.59**	**1.62**	**1.64**	**1.67**	**1.69**	**1.71**	**1.74**	**1.76**	**1.79**

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Willow Glen Senior **Apts**

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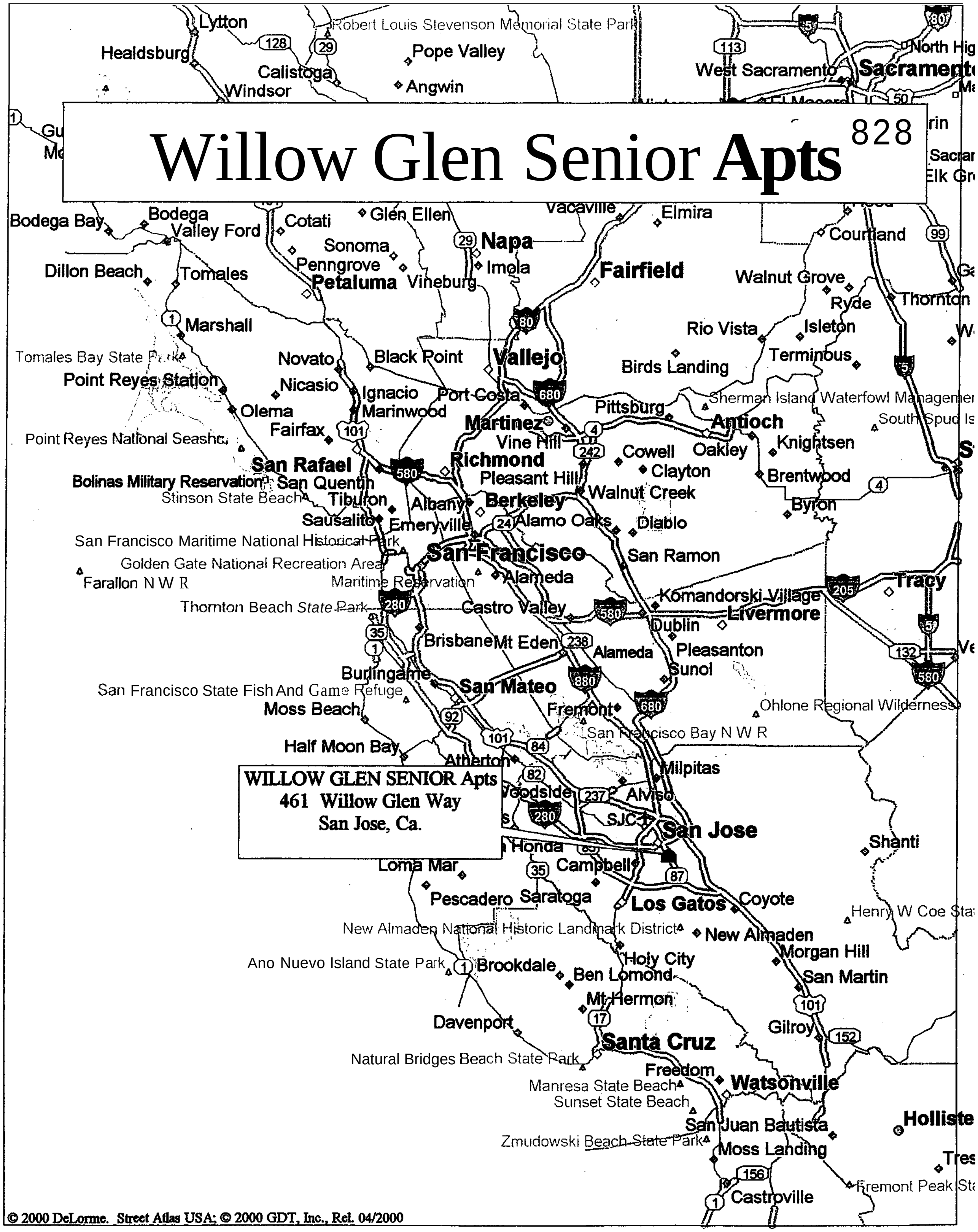

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Willow Glen Senior Apts

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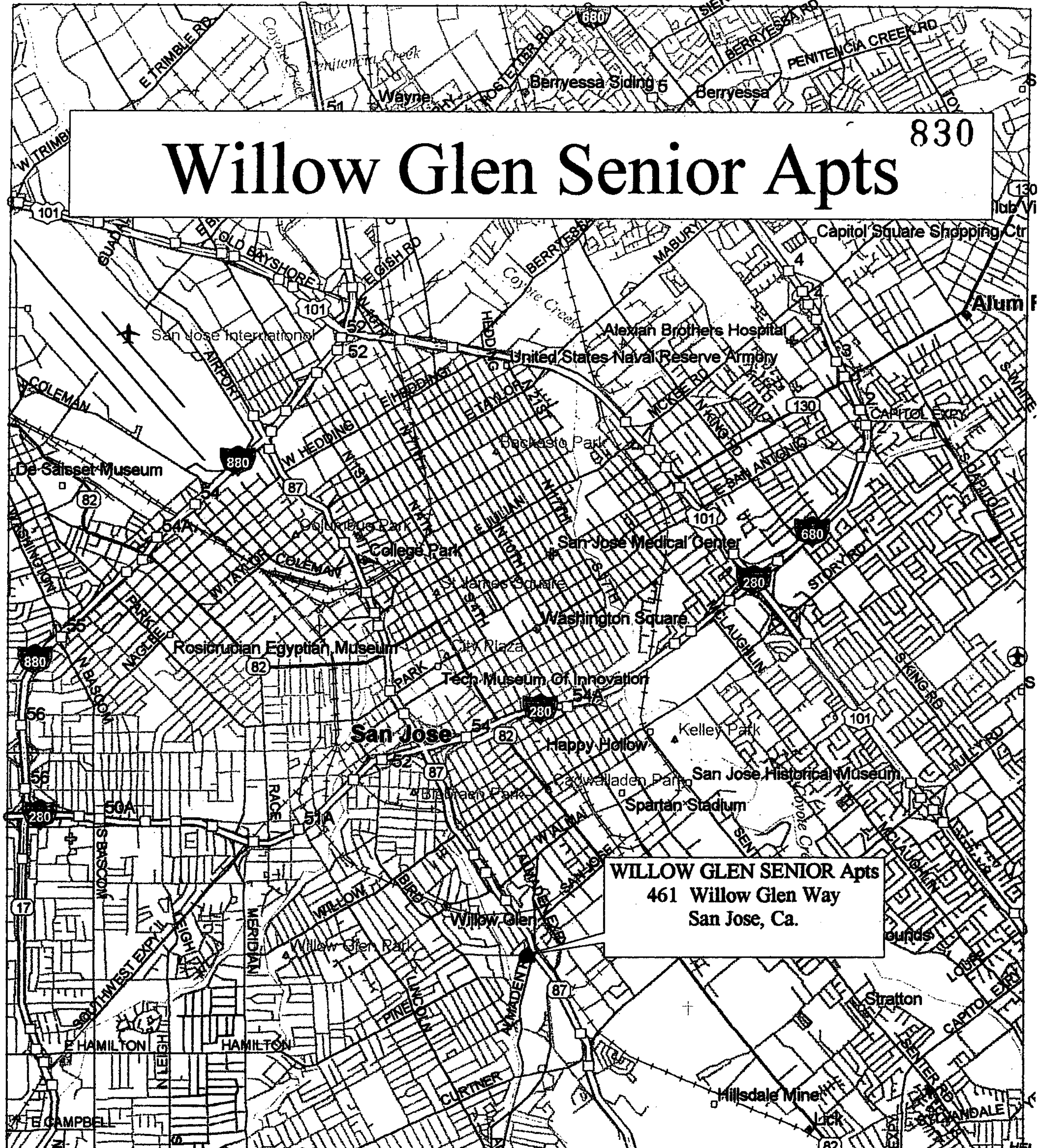

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RESOLUTION 00-37

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Willow Glen Housing Partners, a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 133-unit multifamily housing development located in the City of San Jose to be known as Willow Glen Senior Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated November 21, 2000 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on June 27, 2000, the Executive Director exercised the authonty delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a final loan commitment be made for the Development.

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to the recommended terms and conditions set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
00-028-N	Willow Glen Senior Apartments San Jose/Santa Clara	133	$9,700,000

2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final commitment, including increases in mortgage amount of more than seven percent (7%), must be submitted to this Board for approval. "Material modifications" as used herein means modifications which, when made in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, change the legal, financial or public purpose aspects of the final commitment in a substantial or material way.

I hereby certify that this is a true and correct copy of Resolution 00-37 adopted at a duly constituted meeting of the Board of the Agency held on December 7, 2000, at Millbrae, California.

ATTEST:______________
Secretary

Executive Summary

Date: 21-Nov-00

Project Profile:

Project :	Vista Las Flores	*Borrower:*	Pacific V i a Las Flores, L.P.
Location:	SE wmer of Aviara Pkwy & Cobblestone Rd.	*GP:*	WHDC
City:	Carlsbad, CA	*LP:*	San Diego interfaith Housing
County:	San Diego	*Program:*	Tax Exempt
Type:	Family	*CHFA # :*	00-035-S

Financing Summary:

	Final	Per Unit
CHFA First Mortgage	$1,315,000	$46,964
Carlsbad Housing Agency	$327,755	$11,706
LIHF Funds	$125,344	$4,477
Standard Pacific	$2,073,836	$74,066
AHP Funds	$135,000	$4,821
Borrowers Cash Contribution	$0	$0
Deferred Developed Equity	85,636	$1,987
Tax Credit Equity	81,432,022	851,144
CHFA Bridge	$1,340,000	$47,857
CHFA HAT	$0	$0

Loan to Value
80.6%

Loan to Cost
48.6%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
2 BR	843	8	50%	$570	$24,175
3 BR	1080	9	50%	$631	$26,850
2 BR	843	7	60%	$691	$29,010
3 BR	1080	3	60%	$797	$32,220
2 BR	843	1	Manager	$691	open
		28			

Index:

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Vista Las Flores Apartments

CHFA Ln. # 00-035-S

SUMMARY:

This is a Final Commitment request for two loans totaling **$2,655,000**. The first mortgage in the mount of **$1,315,000** is fully amortized over **35** years. The second loan is a **$1,340,000** bridge loan amortized over five years. The project is Vista Las Flores Apartments, a proposed 28-unit family apartment project. The project is located at the SE comer of Aviara Parkway and Cobblestone Road, Carlsbad, in San Diego County.

LOAN TERMS:

1st Mortgage Amount:		**$2,655,000**
	A.	**$1,315,000**
	B.	**$1,340,000**
Interest Rate:	***6.05%***	
Term:	A.	**35** year fixed, fully amortized
	B.	***5*** year Bridge Loan
Financing:	Tax-Exempt	

LOCALITY INVOLVEMENT:

The City of Carlsbad is expected to contribute **$327,755** at **3.08** interest for **55** years. Downey Savings is providing an AHP loan of **$135,000** which will be forgiven by the financial institution. The Low Income Housing Fund has provided a **$125,344** predevelopment loan at **7.5%** for two years which will be paid off at construction loan closing. All loans are to be subordinate to the Agency's 1st mortgage and payments are from residual project receipts.

The master developer of the Mariano residential subdivision (which the subject is part ***of)***, Standard Pacific Homes, chose to meet its inclusionary requirement by constructing **28** affordable multifamily units. The master developer and the City entered into an Affordable Housing Agreement in which the master developer agreed that these **28** affordable multifamily units will be constructed as part of Mariano residential development, and that the master developer would contract with an affordable housing developer to develop the units. Under the current financing structure, Standard Pacific has agreed to provide "gap financing" to meet their Affordable Housing Agreement in the amount of $2,073,836 which includes the land and soft money.

MARKET

A. Market Overview:

San Diego County lies in the southeastern comer of the United States on the U.S.-Mexico border. The metropolitan area extends over 4,255 square miles from the military installation of USMC Camp Pendleton south to the Mexican border, and from the Pacific Ocean east to Imperial County.

The county contains three distinct zones: a ten-mile wide coastal zone which covers a seventy-mile long coastal range, the central zone comprised of foothills and the Cleveland National Forest mountain range, and the eastern portion which contains the low-lying Colorado River Valley desert region.

Given the homogenous nature of its zoning, improvements/uses, government directives and reputation, the City of Carlsbad is considered to define the subject area. Carlsbad is located in the "North County Coastal" section of San Diego County. Boundaries of the city are generally set by the Pacific Ocean on the west, the City of San Marcos and unincorporated county area on the east, the City of Oceanside to the north, and the City of Encinitas to the south.

B. Market Demand

Real estate market conditions and the unavailability of conventional financing have given the private residential development sector very little financial incentive to develop multi-family dwelling units, least of all affordable units. In addition, very low-income households and many low-income households cannot afford to pay the existing market rate rents, and their income levels are inadequate in helping to cover the private sector costs for the development of housing.

The City of Carlsbad's Housing Element Plan indicates a need of 2,991 two-bedroom units and 533 three-bedroom units for lower-income renters in the community.

Laurel Tree Apartments, located across Cobblestone Road, recently opened in July 2000, and was fully leased in less than 45 days. This project is a 9% tax credit deal with 135 units with two, three, and four-bedroom floor plans. Rents range from $447 for a two-bedroom unit to $721 for a four-bedroom unit. The project currently has a waiting list of 500 people.

C. Housing Supply

A survey of the Carlsbad market consisting of 22 projects totaling 2,742 units representing 3.8 percent of the total county inventory was conducted. The data indicates that most projects were built in the 1970's and 1980's and have an average project size of approximately 100 units, which is typical of most cities in the county.

During the recessionary years of 1990 to 1994, the Carlsbad apartment market experienced a moderate downturn. Typical projects experienced vacancies between 5% and 10% on average. Like most of San Diego County, Carlsbad's vacancy rate has been declining over the last four years. Per Market Point March 2000 survey, the vacancy stands at 2.37% representing a slight increase from the 1.75% posted the same time last year. However, this slight rise in the market vacancy appears to be the result of owners rapidly raising rents rather than a weakening of the market.

Rents in Carlsbad are substantially above those in San Diego County as a whole, demanding rents on average of $63 more for a one-bedroom and $159 more for a two-bedroom when compared to the average rates for the entire county.

Even with the positive influences being experienced in the market, area brokers and investors concur that both rent levels and property values will have to increase further before new apartment development becomes feasible. These opinions are supported by the lack of apartment land sales in this market over the last two years according to several databases searched and the lack of any proposed market based apartment projects being actively processed at this time according to the Carlsbad Planning Department.

The forecast for the Carlsbad rental market will continue to be high demand. Vacancy rates should remain at current levels while rents should increase as demand continues to increase with population growth. However, rent levels will not likely continue at the rate experienced over the last 12-24 months as it would likely result in significantly increased vacancy as many local tenants would seek to relocate in more affordable areas of the county.

PROJECT FEASIBILITY:

A. Rent Differentials (Market vs. Restricted)

Rent Level	Subject Project	Mkt.Rate Avg.	Difference	Percent
Two Bedroom				
50%	$570	$990	$420	57.6%
60%	$691		$299	70.0%
Three Bedroom				
50%	$631	$1,300	$669	48.5%
60%	$797		$503	61.3%

B. Estimated Lease-Up Period

Based on the success of the 9% tax credit project, Laurel Tree Apartments, and the waiting list for large units at that project, it is anticipated that the project will have a rental absorption rate of 20 units per month and be fully rented within two months.

PROJECT DESCRIPTION:

A. Site Design:

The Vista Las Flores Apartments are two-storied walk-up buildings with wood frames and stucco exterior. Individual unit amenities will include a full kitchen including dishwashers in the three bedrooms and forced air heating. Lower units have patios and upper units have balconies. The number of rental units proposed are 16 two-bedroomlone bath units and 12 three-bedroom/two bath units for a total of 28 units. Parking includes 67 open spaces.

The project will be built around a centrally located, single-story, recreation building with a main community room, office, computer room, storage room, kitchen, restrooms, and laundry facilities. The project will be landscaped along its perimeter slopes and throughout the courtyard area.

B. Project Location:

The site is located on the southwest comer of Aviara Parkway and Cobblestone Road. Property uses and influences immediately surrounding the subject are as follows:

- North - Cobblestone Road followed by a 135 unit low-income project (Laurel Tree)
- South - Shorepoint development offering 1,770 sf to 3,185 sf detached homes from $399,000
- East - Goldenbush Drive followed by Shorepoint followed by undeveloped open area.
- West - Aviara Parkway followed by an upslope leading to single family residential view lots.

The site is a functional lot in terms of size, shape, topography and zoning. It has good access and good proximity to local services. All surrounding uses are either similar or complementary.

OCCUPANCY RESTRICTIONS:

CHFA:	*20%* of the units (8) will be restricted to 50% or less of median income.
TCAC:	100% of the units (28) will be restricted to 60% or less of median income.

City of Carlsbad: 96% of the units (27) will be restricted to 60% or less of median income.

ENVIRONMENTAL:

The Agency received a Phase I – Environmental Assessment Report prepared by Geocon Consultants and dated March 16, 1999 for the entire Mariano property. A specific Phase I for the subject property is currently being completed by Geocon and will be forwarded to the Agency upon completion.

Investigative Science and Engineering, Inc. completed a structural acoustical analysis dated October 17, 2000 and those recommendations are being incorporated into the final working drawings and specifications.

ARTICLE 34:

A satisfactory opinion letter dated October 16, 2000 by the City of Carlsbad's Housing and Redevelopment Department states Article 34 does not apply.

DEVELOPMENT TEAM:

A. Borrower's profile

The owner is Pacific Vista Las Flores, a California limited partnership with San Diego Interfaith Housing Foundation as general partner and Wakeland Housing and Development Corporation as the other general partner. The ownership comprises two non-profits because Wakeland Housing and Development Corporation are a newly formed entity.

Founded in December 1998, Wakeland is a certified nonprofit 501(c)(3) corporation. The organization is presently the managing general partner in 6 operating affordable housing and mixed-income projects, totaling 1,002 units.

Matthew B. Jumper, President of the San Diego Interfaith Housing Foundation, has extensive experience as both a nonprofit developer and a property manager. The San Diego Interfaith Housing Foundation has been involved in the development and management of approximately 750 units.

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B. Contractor

The owners are in the process of finalizing an agreement with a general contractor which will be reviewed by our Agency. Preliminary costs for the project were provided by a cost consultant.

C. Architect

Rodriguez and Simon Design Associates have specialized in residential design and community development for 16 years. They have designed over 2,100 housing units for various markets in Southern California.

D. Management Agent

San Diego Interfaith Housing Foundation, the non-profit corporation, **will provide** on-site property management services for the Vista Las Flores project.

Project Summary

Date: 21-Nov-00

Project Profile:

Project : Vista Las Flores
Location: SE corner of Aviara Pkwy & Cobblestone
Carlsbad, CA
County/Zip: San Diego 92009
Borrower: Pacific Vista Las Flores, LP.
GP: WHDC
GP: San Diego Interfaith Housing

Program: Tax Exempt
CHFA #: **00-035-S**

Appraiser: Wayne Froboese, **MAI**
Froboese Realty Group
Cap Rate: **7.50%**
Marker: **$ 3,275,000**
Income: **$ 3,295,000**
Final Value **$ 3,295,000**

LTC/LTV:
Loan/Cost 48.6%
Loan/Value 80.6%

Project Description:

Units	28
Handicap Units	1
Bldg. Type	New Const.
Buildings	5
Stories	1 & 2
Gross Sq Ft	27,948
Land Sq Ft	89.591
Units/Acre	14
Total Parking	67
Covered Parking	0

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$1,315,000	$46,964	6.05%	35
Carlsbad Housing Agency	$327.755	$11,706	3.00%	55
LIHF Funds	$125,344	$4,477	7.50%	2
Standard Pacific	$2,073,836	$74,066	0.00%	
AHP Funds	$135.000	$4,821	0.00%	35
Borrowers Cash Contribution	$0	$0		
Deferred Developed Equity	$55,636	$1,987		
Tax Credit Equity	$1,432,022	$51,144		
CHFA Bridge	$1,340,000	$47.857	6.05%	5
CHFA HAT	$0	$0	0.00%	-

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
2 BR	843	8	50%	$570	$24,175
3 BR	1080	9	50%	$631	$26,850
2 BR	843	7	60%	$691	$29,010
3 BR	1080	3	60%	$797	$32,220
2 BR	843	1	Manager	$691	open
		28			

Fees, Escrows and Reserves:

Fees, Escrows and Reserves	Basis of Requirements		Amount	Security
Commitment Fee	1.00%	of Loan Amount	$26,550	Cash
Finance Fee	1.00%	of Loan Amount	$26,550	Cash
Bond Origination Guarantee	1.00%	of Loan Amount	$13,150	Letter of Credit
Rent Up Reserve	15%	of Gross Income	$33,152	Letter of Credit
Operating Expense Reserve	10%	of Gross Income	$22,102	Letter of Credit
Marketing Reserve	10%	of Gross Income	$22,102	Letter of Credit
Annual Replacement Reserve Deposit	$300	Per Unit	$8,400	Operations
Construction Defects Agreement	2.5%	Hard Costs/12 months	$60,488	Letter of Credit

Sources and Uses — Vista Las Flores

SOURCES:

Name of Lender / Source	Amount	Per Unit
CHFA First Mortgage	1,315,000	46,964
CHFA HAT	0	0
Carlsbad Housing Agency	327,755	11,706
LIHF Funds	125,344	4,477
Standard Pacific	2,073,836	74,066
AHP Funds	135,000	4,821
Total Institutional Financing	3,976,935	142,033
Equity Financing		
Borrowers Cash Contribution	0	0
Deferred Developed Equity	55,636	1,987
Tax Credit Equity	1,432,022	51,144
Total Equity Financing	1,487,658	53,131
TOTAL SOURCES	5,464,593	195,164

USES:

Acquisition	600,000	21,429
Rehabilitation	0	0
New Construction	2,778,550	99,234
Architectual Fees	118,651	4,238
Survey and Engineering	48,500	1,732
Const. Loan interest & Fees	212,614	7,593
Permanent Financing Fees	311,320	11,119
Legal Fees	50,000	1,786
Reserves	77,356	2,763
Contract Costs	8,000	286
Construction Contingencies	252,456	9,016
Local Fees	616,000	22,000
TCAC/Other Costs	34,146	1,220
PROJECT **COSTS**	5,107,593	102,414
Developer Fee	300,000	10,714
Project Administration	57,000	2,036
Consultant/Processing Agent	0	0
TOTAL USES	5,464,593	195,164

Annual Operating Budget — Vista Las Flores

		$ per unit
INCOME:		
Total Rental income	219,336	7,833
Laundry	1,680	60
Other Income	0	-
Gross Potential Income (GPI)	221,016	7,893
Less:		
Vacancy Loss	11,051	395
Total Net Revenue	209,965	7,499
EXPENSES:		
Payroll	26,033	930
Administrative	29,123	1,040
Utilities	15,097	539
Operating and Maintenance	21,732	776
Insurance and Business Taxes	8,681	310
Taxes and Assessments	2,588	92
Reserve for Replacement Deposits	8,400	300
Subtotal Operating Expenses	111,654	3,988
Financial Expenses		
Mortgage Payments (1st loan)	90,506	3,232
Total Financial	90,506	3,232
Total Project Expenses	202,160	7,220

Cash Flow **Vista Las Flores** **CHFA # 00-035-S**

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Market Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	219,336	224,819	230,440	236,201	242,106	248,159	254,363	260,722	267,240	273,921	280,769
TOTAL RENTAL INCOME	219,336	224,819	230,440	236,201	242,106	248,159	254,363	260,722	267,240	273,921	280,769
OTHER INCOME											
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	1,680	1,722	1,765	1,809	1,854	1,901	1,948	1,997	2,047	2,098	2,151
Other Income	0	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	1,680	1,722	1,765	1,809	1,854	1,901	1,948	1,997	2,047	2,098	2,151
GROSS INCOME	221,016	226,541	232,205	238,010	243,960	250,059	256,311	262,719	269,287	276,019	282,919
Vacancy Rate : Market	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	11,051	11,327	11,610	11,901	12,198	12,503	12,816	13,136	13,464	13,801	14,146
EFFECTIVE GROSS INCOME	209,965	215,214	220,595	226,110	231,762	237,556	243,495	249,583	255,822	262,218	268,773
OPERATING EXPENSES											
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	100,666	104,693	108,880	113,236	117,765	122,476	127,375	132,470	137,768	143,279	149,010
Replacement Reserve	8,400	8,400	8,400	8,400	8,400	8,568	8,568	8,568	8,568	8,568	8,996
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	2,588	2,640	2,693	2,746	2,801	2,857	2,915	2,973	3,032	3,093	3,155
TOTAL EXPENSES	111,654	115,732	119,973	124,382	128,966	133,901	138,857	144,010	149,369	154,940	161,162
NET OPERATING INCOME	98,311	99,482	100,622	101,728	102,796	103,655	104,638	105,572	106,454	107,278	107,612
DEBT SERVICE											
CHFA - 1st Mortgage	90,506	90,506	90,506	90,506	90,506	90,506	90,506	90,506	90,506	90,506	90,506
CHFA - Bridge Loan	318,544	318,544	318,544	318,544	318,544						
CHFA - HAT Loan	0	0	0	0	0						
CASH FLOW after debt servic	7,805	8,975	10,115	11,221	12,289	13,149	14,132	15,066	15,947	16,771	17,105
DEBT COVERAGE RATIO	1.09	1.10	1.11	1.12	1.14	1.15	1.16	1.17	1.18	1.19	1.19

Cash Flow

RENTAL INCOME	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Market Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	287,788	294,983	302,357	309,916	317,664	325,606	333,746	342,089	350,642
TOTAL RENTAL INCOME	287,788	294,983	302,357	309,916	317,664	325,606	333,746	342,089	350,642
OTHER INCOME									
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	2,204	2,259	2,316	2,374	2,433	2,494	2,556	2,620	2,686
Other Income	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	2,204	2,259	2,316	2,374	2,433	2,494	2,556	2,620	2,686
GROSS INCOME	289,992	297,242	304,673	312,290	320,097	328,100	336,302	344,710	353,327
Vacancy Rate : Market	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	14,500	14,862	15,234	15,614	16,005	16,405	16,815	17,235	17,666
EFFECTIVE GROSS INCOME	275,493	282,380	289,439	296,675	304,092	311,695	319,487	327,474	335,661
OPERATING EXPENSES									
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	154,971	161,170	167,616	174,321	181,294	188,546	196,087	203,931	212,088
Replacement Reserve	8,996	8,996	8,996	8,996	9,446	9,446	9,446	9,446	9,446
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	3,218	3,282	3,348	3,415	3,483	3,553	3,624	3,696	3,770
TOTAL EXPENSES	167,185	173,448	179,961	186,732	194,223	201,545	209,158	217,074	225,305
NET OPERATING INCOME	108,308	108,932	109,479	109,943	109,869	110,150	110,329	110,401	110,356
DEBT SERVICE									
CHFA - 1st Mortgage	90,506	90,506	90,506	90,506	90,506	90,506	90,506	90,506	90,506
CHFA - Bridge Loan									
CHFA - HAT Loan									
CASH FLOW after debt servic	17,801	18,425	18,972	19,437	19,363	19,643	19,823	19,894	19,850
DEBT COVERAGE RATIO	1.20	1.20	1.21	1.21	1.21	1.22	[illegible]	[illegible]	[illegible]

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Market Rents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	359,408	368,393	377,603	387,043	396,719	406,637	416,803	427,223	437,903	448,851
TOTAL RENTAL INCOME	359,408	368,393	377,603	387,043	396,719	406,637	416,803	427,223	437,903	448,851
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	2,753	2,822	2,892	2,965	3,039	3,115	3,192	3,272	3,354	3,438
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	2,753	2,822	2,892	2,965	3,039	3,115	3,192	3,272	3,354	3,438
GROSS INCOME	362,160	371,214	380,495	390,007	399,757	409,751	419,995	430,495	441,257	452,289
Vacancy Rate : Market	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	18,108	18,561	19,025	19,500	19,988	20,488	21,000	21,525	22,063	22,614
EFFECTIVE GROSS INCOME	344,052	352,654	361,470	370,507	379,770	389,264	398,995	408,970	419,195	429,674
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	220,572	229,395	238,570	248,113	258,038	268,359	279,094	290,257	301,868	313,942
Replacement Reserve	9,919	9,919	9,919	9,919	9,919	10,414	10,414	10,414	10,414	10,414
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	3,846	3,923	4,001	4,081	4,163	4,246	4,331	4,417	4,506	4,596
TOTAL EXPENSES	234,336	243,236	252,490	262,113	272,119	283,020	293,839	305,089	316,788	328,953
NET OPERATING INCOME	109,717	109,418	108,980	108,394	107,651	106,244	105,156	103,881	102,407	100,722
DEBT SERVICE										
CHFA - 1st Mortgage	90,506	90,506	90,506	90,506	90,506	90,506	90,506	90,506	90,506	90,506
CHFA - Bridge Loan										
CHFA - HAT Loan										
CASH FLOW after debt servic	19,210	18,912	18,474	17,888	17,144	15,738	14,650	13,375	11,900	10,215
DEBT COVERAGE RATIO	1.21	1.21	1.20	1.20	1.19	1.17	1.16	1.15	1.13	1.11

Cash Flow

RENTAL INCOME	Year 31	[illegible]	Year [illegible]	[illegible]	[illegible]
Market Rent Increase	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Market Rents	N/A	N/A	N/A	N/A	N/A
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	460,072	471,574	483,363	495,447	507,833
TOTAL RENTAL INCOME	460,072	471,574	483,363	495,447	507,834
OTHER INCOME					
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	3,524	3,612	3,702	3,795	3,890
Other Income	0	0	0	0	0
TOTAL OTHER INCOME	3,524	3,612	3,702	3,795	3,890
GROSS INCOME	463,596	475,186	487,066	499,242	511,723
Vacancy Rate : Market	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	23,180	23,759	24,353	24,962	25,586
EFFECTIVE GROSS INCOME	440,416	451,427	462,712	474,280	486,137
OPERATING EXPENSES					
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	326,500	339,560	353,143	367,268	381,959
Replacement Reserve	10,935	10,935	10,935	10,935	10,935
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	4,688	4,782	4,877	4,975	5,074
TOTAL EXPENSES	342,123	355,277	368,955	383,178	397,968
NET OPERATING INCOME	98,293	96,150	93,757	91,102	88,169
DEBT SERVICE					
CHFA - 1st Mortgage	[illegible]	90,506	90,506	90,506	90,506
CHFA - Bridge Loan					
CHFA - HAT Loan					
CASH FLOW after debt servic	7,787	5,643	3,251	596	(2,338)
DEBT COVERAGE RATIO	1.09	1.06	1.04	1.01	0.97

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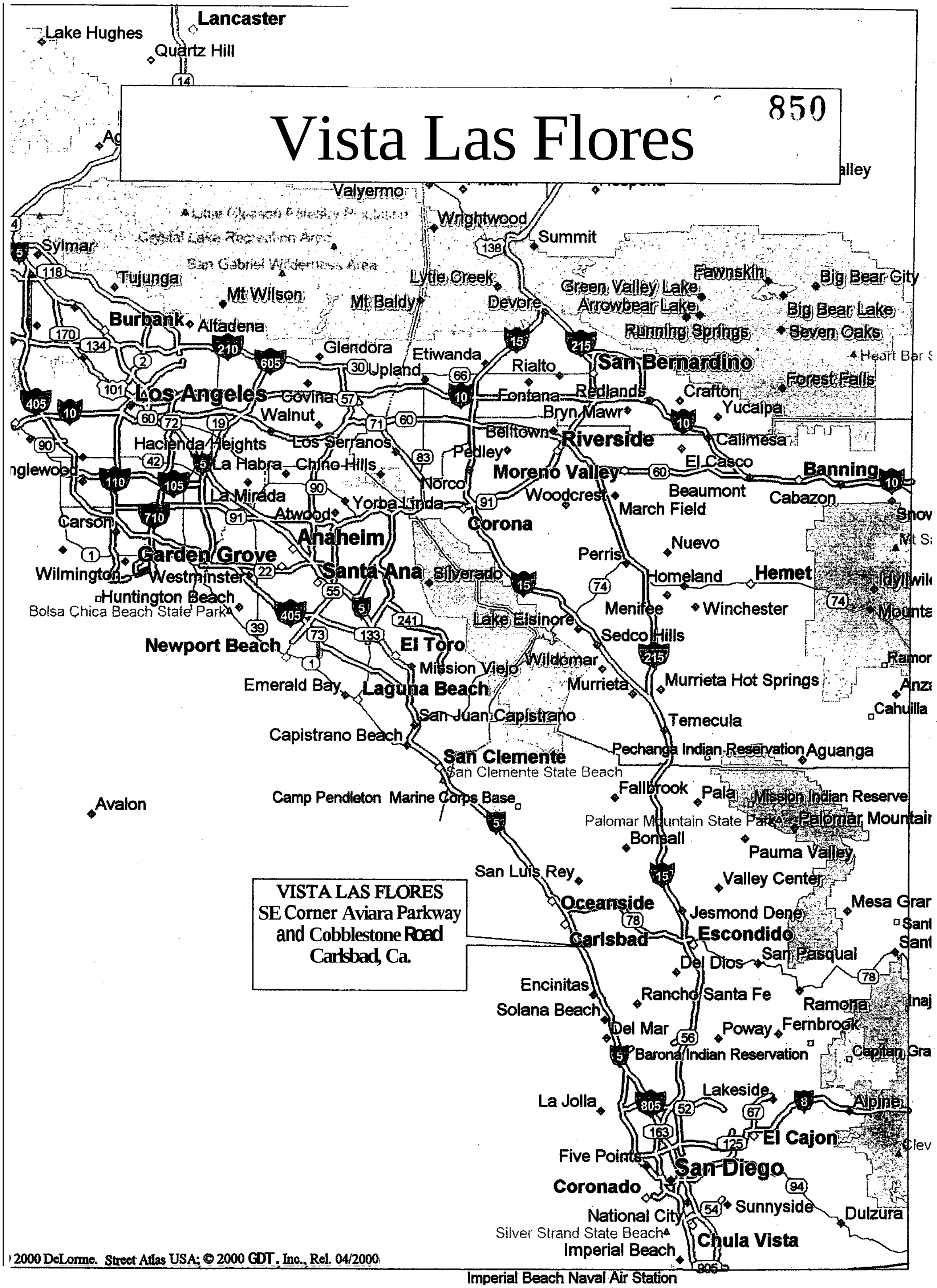
Vista Las Flores



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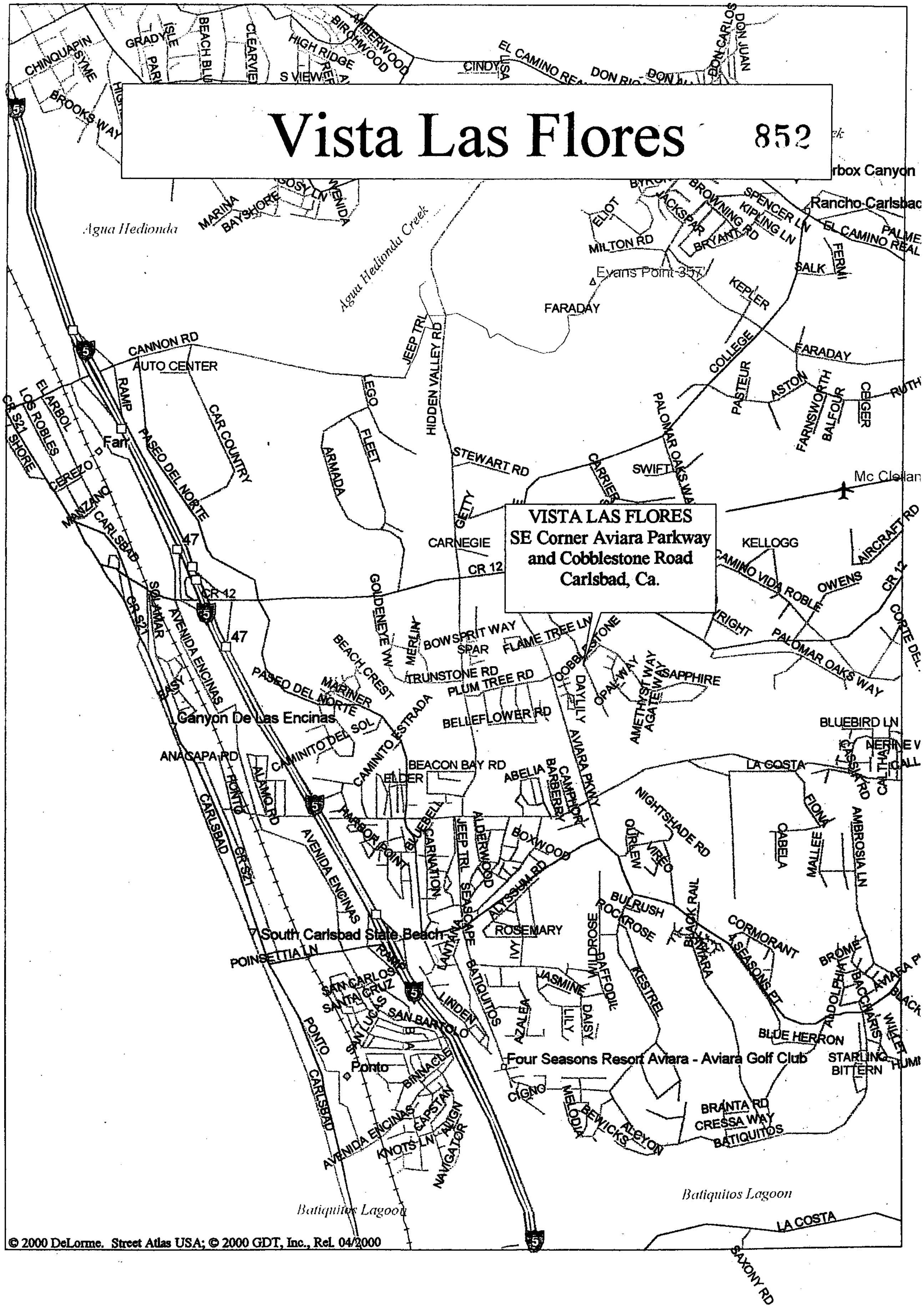

Vista Las Flores
852
VISTA LAS FLORES
SE Corner Aviara Parkway
and Cobblestone Road
Carlsbad, Ca.
Agua Hedionda
Agua Hedionda Creek
Evans Point 357
Rancho Carlsbad
Mc Clellan
Canyon De Las Encinas
South Carlsbad State Beach
Four Seasons Resort Aviara - Aviara Golf Club
Ponto
Batiquitos Lagoon
Batiquitos Lagoon
CANNON RD
AUTO CENTER
CAR COUNTRY
PASEO DEL NORTE
HIDDEN VALLEY RD
JEEP TRL
STEWART RD
CARNEGIE
CR 12
CR S21
COLLEGE
FARADAY
KEPLER
PALOMAR OAKS WAY
CAMINO VIDA ROBLE
KELLOGG
AIRCRAFT RD
EL CAMINO REAL
AVENIDA ENCINAS
CARLSBAD
PONTO
POINSETTIA LN
AVIARA PKWY
BATIQUITOS
LA COSTA
SAXONY RD
ANACAPA RD
BEACON BAY RD
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RESOLUTION 00-38

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Pacific Vista Las Flores L.P., a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide a mortgage loan on a 28-unit multifamily housing development located in the City of Carlsbad to be known as Vista Las Flores (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated November 21, 2000 (the "Staff Report") recommending Board approval subject to certain recommended terns and conditions; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on October 30, 2000, the Executive Director exercised the authority delegated to her under Resolution 54-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a final loan commitment be made for the Development.

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to the recommended terms and conditions set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
00-035-S	Vista Las Flores Vacaville/Solano	28	$1,315,000
		Tax-Exempt Bridge:	$1,040,000

Resolution 00-38
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2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final commitment, including increases in mortgage amount of more than seven percent (7%), must be submitted to this Board for approval. "Material modifications" as used herein means modifications which, when made in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, change the legal, financial or public purpose aspects of the final commitment in a substantial or material way.

I hereby certify that this is a true and correct copy of Resolution 00-38 adopted at a duly constituted meeting of the Board of the Agency held on December 7, 2000, at Millbrae, California.

ATTEST: ______________
Secretary

Executive Summary

Date: 21-Nov-00

Project Profile:

Project :	Ambassador Hotel	*Borrower:*	Wells Fargo Bank
Location:	55 Mason Street	*Owner:*	Ambassador SRO Associates, L.P.
City:	San Francisco	GP:	Ambassador SRO Inc.
County:	San Francisco	LP:	P G & E Housing Fund, L.P.
Type:	Family	*Program:*	Taxable - Special Needs
		CHFA # :	00036N

Financing Summary:

	Final	Per Unit
CA Federal Bank	$623,700	$4,654
City of SF MOF CDBG	$1,900,421	$14,182
City of SF MOH Prop A	$1,716,903	$12,813
City of SF RDA HOPWA	$2,000,000	$14,925
City of SF MOH Commercial	$120,107	$0
Interest Earnings	$59,847	$447
Tax Credits	$11,703,349	$87,338
CHFA Permanent Loan	$0	$0
CHFA Loan To Lender	$11,500,000	$85,821
CHFA Bridge Loan	$0	$0

Unit Mix:

Type	Size	Number'	AMI	Rent	Max Income
OBR	188	83	35%	$405	$17,745
OBR	188	50	Section 8	$920	$15,210
OBR	188	1	Manager		
		134			

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Project Name: Ambassador Hotel

CHFA PROJECT # 00036N

SUMMARY:

This is a request for a **$11,500,000** HAT taxable loan for the Ambassador Hotel. The Agency will make a 2-year loan to the construction lender, Wells Fargo Bank, at a three percent (3 %) interest rate. The Agency Loan will be secured by a letter of credit for the amount of the Agency loan. Wells Fargo Bank will pass along the savings from the Agency loan to the Borrower by reducing their construction interest rate.

The project, located at 55 Mason Street in San Francisco, is an acquisition and substantial renovation of an existing 147 unit Single Room Occupancy Hotel. After renovation, the number of units will be reduced to 134 and reconfigured into mini-studios with baths and cooking facilities for all of the units. The project will serve special-needs population of very-low income individuals who have been diagnosed with a long-term mental illness, have substance abuse problems or are living with HIV/AIDS. Twenty-three (23) of the units will be reserved for individuals debilitated with HIV/AIDS. Fifty *(50)* of the units will be reserved for individuals who are both homeless or formerly homeless and who have a mental illness, have substance abuse issues or are living with debilitating HIV/AIDS. The fifty-homelesshandicapped units will have ten (10) year rental subsidies provided through the City of San Francisco Shelter Plus Care SRO Program. The Sponsor is Tenderloin Neighborhood Development Corporation (TNDC).

LOAN TERMS:

Loan Amount	**$11,500,000**
Interest Rate:	**3.00%**
Term:	**2 years**

SPECIAL NEEDS LOAN TERMS:

The Agency's involvement will be limited to making a reduced interest loan to the construction lender. The loan will be re-paid by the equity payment from the tax credit investor at permanent loan closing (sustaining occupancy). Security for the Agency's loan will be a Letter of Credit in a form acceptable to the Agency for the full amount of the proposed loan plus any additional interest expenses and/or potential ancillary costs.

The opportunity cost to reduce the interest rate from *6.50%* (the assumed investment rate for the Agency) to **3.00%** is estimated to be $402,500. The opportunity cost is an average number since the funds will be advanced to the construction lender on a draw basis.

LOCALITY INVOLVEMENT / RENT SUBSIDIES / AND OTHER FUNDING

Lender	Loan Amount	Repayment Terms	Term	Interest Rate
City of SF MOF CDBG	**$1,900,421**	residual receipts, simple interest, deferred	55	3.00%
City of SF MOH Prop A	**$1,716,903**	residual receipts, simple interest, deferred	55	3.00%
City of **SF** RDA HOPWA	**$2,000,000**	residual receipts, simple interest, deferred	55	3.00%
City of **SF** MOH Commercial	$120,107	residual receipts, simple interest, deferred	55 .	3.00%

- The project has a commitment from Shelter Plus Care **SRO** for fifty ***(50)*** Shelter Plus Care rent subsidies from the City of San Francisco Housing Authority. Residents for these units will be selected for the City Shelter Plus Care List. The Shelter Plus Care subsidies are project based but expire in 10 years. Renewal is discretionary with HUD. The Shelter Plus Care subsidies support a small, ten year, **$623,700** permanent loan from the California Federal Bank.

- The project was acquired in April **1999** with two loans from the City of San Francisco. The Mayor's Office of Housing loaned **$1,900,421** in CDBG funds for the acquisition of the improvements and the Redevelopment Agency made a loan of **$2,000,000** in HOPWA funds for the acquisition of the land. At construction loan closing the partnership will assume the **$1,900,421** CDBG loan. The $2,000,000 RDA loan will remain the obligation of **TNDC,** who will ground lease the land to the partnership for ***55*** years. The interest and principal payments on both of these loans are deferred for ***55*** years.

- The Mayor's Office of Housing has made a commitment to loan the project **$761,906** from the proceeds of its Proposition **A** taxable affordable housing bond funds at a 3% interest rate, and a 55-year term; both interest and principal payments will be deferred for ***55*** years. **TNDC** has applied for a **$1,000,000** increase in this loan to fund anticipated construction cost increases. This request is currently being reviewed.

- The Mayor's Office of Housing has made a commitment to loan **TNDC** **$120,107** for seismic improvements to the ground floor commercial spaces. This loan will be at a 3% interest rate with a 55-year term. Both the interest and principal on this loan will be deferred.

- Tenants with long-term leases occupy three (3) of the ground floor commercial spaces. There is also a one hundred twenty (120) space commercial parking garage on the property which is subject to a seventeen (17) year below market lease. The ground floor commercial spaces and the parking structure will be leased by the partnership to TNDC for $1.00 per year for 55 years. The commercial income, anticipated to be $156,912 per *year,* will be used by TNDC to pay for social services for the residents of the Ambassador Hotel.

- The borrower received an allocation of 9% tax credits in 2000.

- Construction on the project is scheduled to start in January 2001.

SPECIAL NEEDS PROGRAM:

In the 1980s and early 1990s, the Ambassador Hotel provided affordable housing and services to persons with severe illness resulting from AIDS, drug or alcohol abuse, and/or mental illness. To many residents of San Francisco, the Ambassador represented the last opportunity for housing, and the only alternative to homelessness. Although the building remained in very poor physical condition, residents and service providers created a rich community with a synergy rarely found in other hotels. In 1995, the individual who had been master-leasing the hotel was no longer able to continue operating the Ambassador, and living conditions rapidly deteriorated thereafter. Virtually no support services were offered in the Ambassador and the hotel was only 30% occupied when TNDC purchased the property in 1999. TNDC's plans include both a complete rehabilitation and upgrade of the physical property, and establishing an on-site integrated system of health care, housing, employment and support services at the Ambassador.

The target population for the Ambassador Hotel is very-low income persons suffering from long-term mental illness, substance abuse problems, and or living with HIV/AIDS. The target population includes the current residents of the Ambassador, people living on the street, in shelters, transitional housing programs, hospitals and jails. Referrals are expected to come from the *50* agencies currently working with the this population, and from the City of San Francisco's Shelter Plus Care waiting list.

TNDC has put together a collaborative of experienced organizations to attend to the physical, psychological and spiritual needs of the residents. The collaborative includes Tenderloin Neighborhood Development Corporation (TNDC), Baker Places (mental health and substance abuse), the Black Coalition on *AIDS* (BCA), Conard House (money management services), and San Francisco Network Ministries (SFNM). Planned services include:

- Service coordination for residents. Referrals will be made to a wide array of both on-site and off site service programs,
- Crisis intervention

- Assistance in accessing primary medical care
- Assistance for those suffering from long-term mental health and substance abuse problems
- Case management for tenants with HIV/AIDS
- Money management services
- Job training and other pre-placement services, job placement and post-placement job retention assistance
- Spiritual ministry

There will be a minimum of seven full time staff people on-site providing services. TNDC will provide a full time unit leader, and two social workers. Baker Place will provide one full time intensive care manger, and one full time case coordinator. Conard House will have one full-time money manager on site. The Black Coalition on Aids will have one full-time clinical case manager on site. Services will be funded with the commercial and parking income generated by the property, and by grants from the City of San Francisco Department of Human Services, and from other sources.

PROJECT DESCRIPTION:

The property is located on a 18,906 square foot site in the Tenderloin Neighborhood District of San Francisco. There are two structures on the property, a six story residential hotel that occupies 40% of the site, and a two-story 10,000 square foot parking structure. The residential hotel is "L" shaped and occupies the entire street frontage, and the parking structure occupies the interior space. The lower story of the parking structure is below grade and the second story is at grade. The parking structure has a flat roof that was designed to allow for upward expansion.

TNDC proposes to substantially rehabilitate and seismically strengthen the existing residential hotel, and to build a new, service facility on the garage roof.

The ground floor of the residential hotel is presently commercial. Sixty percent of that space, 4,535 square feet, will be leased by TNDC to neighborhood businesses, and 2,315 square feet of the ground floor will be used to expand the lobby of the residential hotel.

There are currently 147 SRO housing units in the residential hotel. The original unit configuration placed a shared bathroom between every other unit, but over the years these have been altered or sealed off so that currently about 30% of the units have individual baths and the remainder share common baths on each floor. There are presently no cooking facilities in the units. TNDC plans to remove thirteen (13) units to allow space for additional fire exits small lounges and community kitchens on the residential floors. They also plan to add individual bathrooms (toilets and showers) and cooking facilities (sink; refrigerator and microwave) in all 134 units. Also planned is a 5,000 square foot open deck garden and 4,500 square feet of new program facilities and offices on the roof deck of the parking garage.

RELOCATION: No permanent relocation is required. The current residential tenants will be temporarily relocated within property during the renovations as per a relocation plan approved by the locality. The commercial tenants will be required to close for approximately one month while their spaces undergo seismic rehabilitation.

MARKET DEMAND:

The City of San Francisco has a population of 790,500. It is at the geographic center of the Bay Area, which is the 4th largest metropolitan center in the United States with a population of 6,900,000. The San Francisco housing market is one of the most expensive in the country. Vacancy rates have been approximately 1% for the last several years and the overall market has stayed very strong with rapidly escalating prices. The supply of housing is very limited and the outlook for the housing market is very positive.

The project area is located on the southwest comer of Mason and Eddy Streets in the Tenderloin Neighborhood of San Francisco. The Tenderloin neighborhood is characterized by older five to seven story apartment buildings with small units, and by a large number of residential hotels in poor condition. Recently the neighborhood has been undergoing commercial gentrification. Adjacent uses are the Hotel West, an SRO property TNDC is under contract to purchase, the Hotel Bijou, a recently renovated tourist hotel and the Hotel Metropolis, a boutique hotel that recently underwent substantial rehabilitation. Rooms at the Metropolis rent $150 per night. Across the street is the Park 55, a high rise hotel where rooms rent for $250 and $300 per night. The project is one block from the Powell Street Bart Station, and three blocks north of Union Square. The general outlook for the neighborhood surrounding the project is positive.

Rent Differentials (Market vs. Restricted Subject Rents)

Rent Level	Subject Project	Mkt. Rate Avg.	Difference	Percent
Mini Studio Unit				
19 units at 30%	$380	$750-$950	$380	50%
47 units at 45%	$405	$750-$950	$345	46%
67 units 50%	$405	$750-$950	$345	46%

HOUSING SUPPLY:

The City and County of San Francisco estimates that the number of people homeless is between 11,000 and 16,000 on any given night, and that the number of people disabled by mental illness, substance abuse and HIV/AIDS represents a growing number of the homeless population.

The demand for affordable housing in San Francisco far exceeds the current supply. There are 8,700 HUD Section 8 Project-based housing units in San Francisco. There is an average of 5,000 to 6,000 persons on the waiting list for assisted housing. The typical waiting period is 36 months.

Occupancy Restrictions:

CHFA:	CHFA will require that forty percent (40%) of the units (53 units) are restricted to a maximum of 50% of AMI or less for 10 years. CHFA will also require that the developer provide a supportive service program for the residents for 10 years.
SF MOH:	100% of the units (133 units) will be restricted to a maximum of 60% of AMI and an average of 50% of AMI for 55 years.
SF RDA:	Twenty three (23) units will be reserved for people with HIV/AIDS and will be restricted to a maximum of 50% of the AMI for 55 years.
TCAC:	Sixty-seven (67) units will be restricted to 50% of AMI for 55 years. Forty-seven (47) units will be restricted to 45% of the AMI for 55 years. Nineteen (19) units will be restricted to 30% of the AMI for 55 years.

ENVIRONMENTAL:

Both Lead based paint and asbestos were identified at the property in the course of the Phase I and Phase II Environmental Assessments. The lead paint remediation will be done to the HUD 1997 guidelines, and the work area made lead-safe during construction. The asbestos containing material will be either removed or stabilized as required by law.

ARTICLE 34:

A satisfactory opinion letter will be required prior to loan close.

DEVELOPMENT TEAM:

Developer

The Tenderloin Neighborhood Development Corporation (TNDC) will be responsible for the financing, renovation and property management of the project. TNDC is a non-profit corporation.

TNDC has 17 years experience in affordable housing development and management. They currently own and manage 15 buildings with 1000 units. They have also provided technical assistance to other non-profits and have overseen the development of an additional 220 units.

TNDC has a long history with service-enriched housing. They currently provide an on-site social worker at several of their projects and are in partnerships with social service providers at many of their properties to provide social services. They currently operate the Tenderloin after School Program for youth ages 5-18, and also operate training and hiring program for residents of the Tenderloin District.

Contractor

The Contractor is Transworld Construction; a minority owned contractor in San Francisco. Founded in 1980, they have rehabbed seven affordable housing projects and constructed four new projects in the last seven years. They are involved in a negotiated bid agreement with the Borrower.

Architect

The Architect is Mock/Wallace Architects. They have designed other service intensive residential hotels in San Francisco as well as affordable housing developments through out the Bay Area.

Management Agent:

TNDC will manage the project. They own and manage 15 affordable housing developments with 1,000 units of housing. Six of their properties are service enriched.

865

Project Summary

Date: 21-Nov-00

Project Profile:

Project : Ambassador Hotel
Location: 55 Mason Street
San Francisco
County/Zip: SF 94102
Borrower: Wells Fargo Bank
Owner: Ambassador SRO Associates, L.P.
GP: Ambassador SRO Inc.
LP: PG & E Housing Fund, L.P.
Program: Taxable - Special Needs
CHFA # : 00036N

Project Description:

Units	134
Handicap units	9
Bldge Type	Rehab
Buildings	2
Stories	2 & 6
Gross Sq Ft	76,909
Land Sq Ft	18,906
Units/Acre	309
Total Parking	120
Covered Parking	120
Commercial Sq Ft	34,070

Financing Summary:

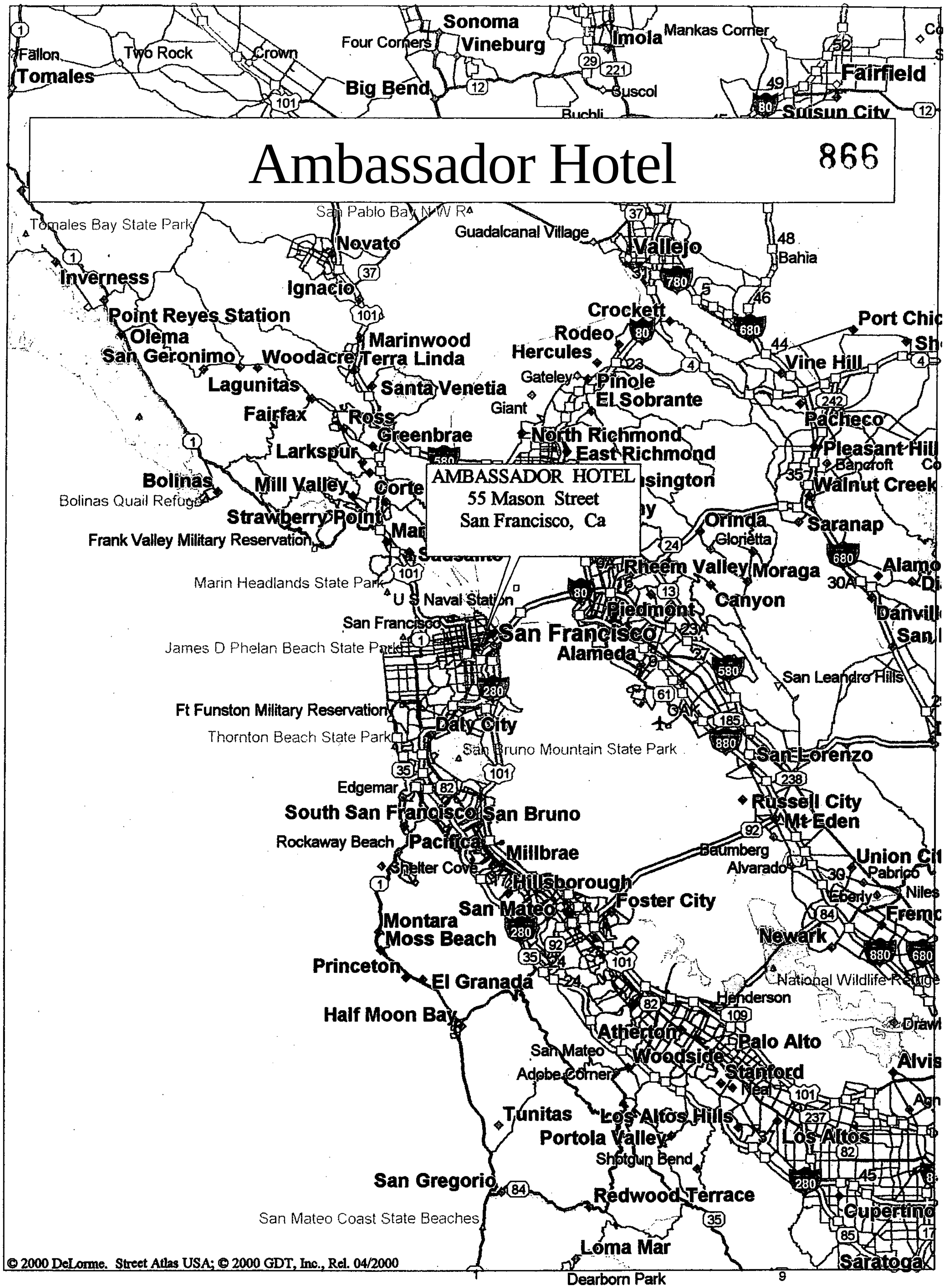
	Amount	Per Unit	Rate	Term
CA Federal Bank	$623,700	$4,654	8.75%	10
City of SF MOF CDBG	$1,900,421	$14,182	3.00%	55
City of SF MOH Prop A	$1,716,903	$12,813	3.00%	55
City of SF RDA HOPWA	$2,000,000	$14,925	3.00%	55
City of SF MOH Commercial	$120,107	$0	3.00%	55
Interest Earnings	$59,847	$447		
Tax Credits	$11,703,349	$87,338		
Deferred Developer Fee	$0	$0		
CHFA Permanent Loan	$0	$0		
CHFA Loan To Lender	$11,500,000	$85,821	3.00%	2
CHFA Bridge Loan	$0	$0		

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
0 BR	188	83	35%	$405	$17.745
OBR	188	50	Section8	$920	$15,210
OBR	188	1	Manager		
		134			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements		Amount	Security
Commitment Fee	0.50%	of Loan Amount	$60,619	Cash
Finance Fee	0.00%	of Loan Amount	$0	NA
Loan Security	100%	of Loan Amount	$11,500,000	LOC



Ambassador Hotel
866
AMBASSADOR HOTEL
55 Mason Street
San Francisco, Ca
Sonoma
Vineburg
Four Corners
Imola
Mankas Corner
Fallon
Two Rock
Crown
Tomales
Big Bend
Fairfield
Suisun City
San Pablo Bay N W R
Tomales Bay State Park
Guadalcanal Village
Novato
Vallejo
Bahia
Inverness
Ignacio
Crockett
Port Chic
Point Reyes Station
Olema
Rodeo
San Geronimo
Woodacre
Marinwood
Terra Linda
Hercules
Vine Hill
Lagunitas
Santa Venetia
Gateley
Pinole
El Sobrante
Giant
Fairfax
Ross
Pacheco
Greenbrae
North Richmond
East Richmond
Larkspur
Pleasant Hill
Bancroft
Bolinas
Mill Valley
Corte
Walnut Creek
Bolinas Quail Refuge
Strawberry Point
Orinda
Saranap
Frank Valley Military Reservation
Glorietta
Rheem Valley
Moraga
Alamo
Marin Headlands State Park
U S Naval Station
Canyon
Piedmont
Danville
James D Phelan Beach State Park
San Francisco
Alameda
San Leandro Hills
Ft Funston Military Reservation
Daly City
Thornton Beach State Park
San Bruno Mountain State Park
San Lorenzo
Edgemar
South San Francisco
San Bruno
Russell City
Mt Eden
Rockaway Beach
Pacifica
Millbrae
Baumberg
Alvarado
Union City
Shelter Cove
Hillsborough
Foster City
San Mateo
Montara
Moss Beach
Newark
Princeton
El Granada
National Wildlife Refuge
Henderson
Half Moon Bay
Atherton
Palo Alto
San Mateo
Woodside
Stanford
Adobe Corner
Tunitas
Los Altos Hills
Los Altos
Portola Valley
Shotgun Bend
San Gregorio
Redwood Terrace
San Mateo Coast State Beaches
Cupertino
Loma Mar
Saratoga
Dearborn Park
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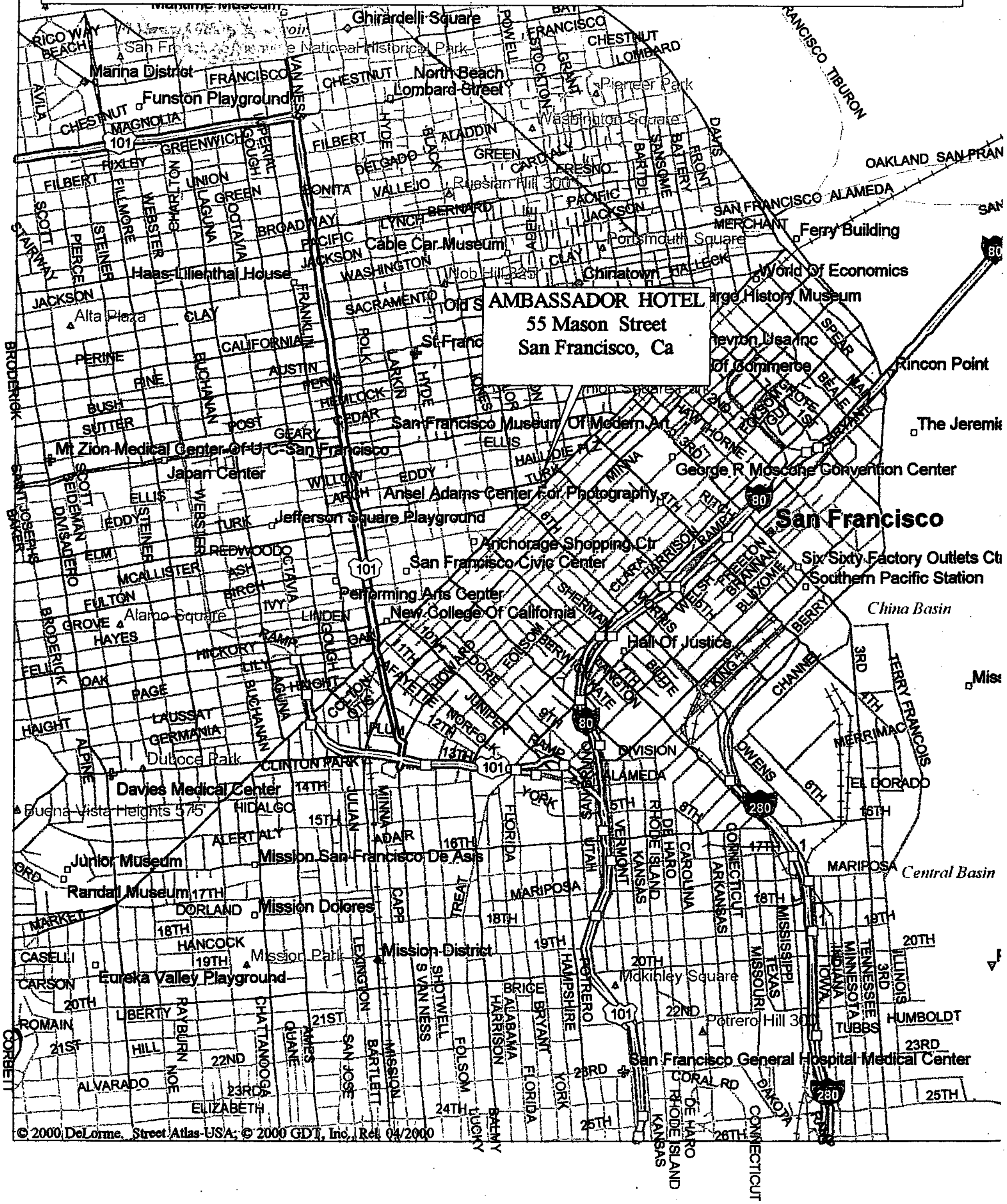
Ambassador Hotel 868



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RESOLUTION 00-39

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Ambassador SRO Associates L.P., a California limited partnership (the "Borrower") seeking a loan commitment under the Agency's Special Needs Loan Program in the amount described herein, the proceeds of which are to be used to provide a loan for a development to be known as Ambassador Hotel (the "Development"); and

WHEREAS, the application from the Borrower has requested that the Agency make the loan to Wells Fargo Bank under the Agency's Special Needs Loan Program for the Development; and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated November 21, 2000 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a final loan commitment be made for the Development.

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to the recommended terms and conditions set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	LOAN AMOUNT
00-036-N	Ambassador Hotel San Francisco/San Francisco	134	$11,500,000

2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final commitment, including increases in mortgage amount of more than seven percent (7%), must be submitted to the Board for

approval. "Material modifications" as used herein means modifications which, in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, change the legal, financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 00-39 adopted at a duly constituted meeting of the Board of the Agency held on December 7, 2000, at Millbrae, California.

ATTEST: ______________
secretary

Executive Summary

Date: 11/21/00

Project Profile:

Project :	Padre Apartments	*Borrower:*	Mercy Housing California
Location:	241 Jones Street	*Member*	Mercy Housing California
City:	San Francisco		
County:	San Francisco	*Program:*	501(c)(3)
Type:	Senior	*CHFA # :*	00-037-N

Financing Summary

	Final	Per Unit
CHFA First Mortgage	$3,285,000	$80,122
Other Sources of Funds	$221,328	$5,398
Existing Replacement Reserve	$471,299	$11,495
Other Loans	$0	$0
Tax Credit Equity	$0	$0
	$0	$0
;ontributions From Operations	$0	$0
;HFA Bridge Loan	$0	$0
Replacement Reserve	$0	$0

Loan to Value
59.2%

Loan to Cost
82.6%

Unit Mix:

Type	Size	Number	AMI	Rent	Max Income
1 BR	516	40	50%	$671	$26,225
2BR	516	1	Manager	$842	N/A
		41			

Index:

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment

Padre Apartments

CHFA **Ln. # 00-037-N**

SUMMARY: This is a Final Commitment request for a 501(c)(3) first mortgage in the amount of **$3,285,000 at 7.25%,** amortized over twenty-one years. This transaction involves the repayment of an existing CHFA portfolio loan. The project is Padre Apartments, a 41-unit, senior, acquisition/rehabilitation preservation project located at 241 Jones Street, San Francisco, San Francisco County.

LOAN TERMS:

1st Mortgage Amount:	**$3,285,000**
Interest Rate:	**7.25%**
Term:	**21** year fixed, fully amortized
Financing:	501(c)(3)

LOCALITY INVOLVEMENT:

The borrower is requesting a loan in the amount of **$320,000** from the City of San Francisco Mayor's Office of Housing. The terms and conditions of this loan will be determined prior to loan close with the requirement that the terms of the Agency Financing may be modified based on the amount and nature of the local financing.

FINANCING:

CHFA will provide acquisition financing and the rehabilitation work will be completed using existing replacement reserve money. It is expected that Agency funds will finance the rehabilitation, accordingly wages and monitoring required under Davis/Bacon will apply.

Surplus cash is expected to be shared by the Agency and the borrower. In no event will the distribution to the borrower exceed the amount allowed in HAP contract.

SECTION 8 CONVERSION

Current Status. The project is an existing CHFA loan with a project based Section 8 contract that expires July 31, 2021.

SECTION 8 OCCUPANCY

The Agency will require an additional 20 years of affordability at 50% of median income after the expected termination of the existing Section 8 contract in 2021. The sponsor will be required to seek and accept Section 8 contract renewals. In the event Section 8 assistance is not available in the nature of project based contracts or vouchers, a transition will occur to the 50% median income rent level. A limited amount of Agency funds will be set aside to assist in this transition subject to a Transition Agreement to be approved by the Agency.

PROJECT DESCRIPTION:

A. Site Design

The project is zoned RC-4, or high density residential. This zoning provides for a mixture of high-density dwellings with supporting commercial uses on the 'ground floor. The density for the site is equal to 1 unit per 200 square feet. Since the project was constructed in 1928, prior to current zoning regulations, it is considered to be a legal non-conforming use.

B. Project Description

The project is a seven-story, 41-unit apartment originally constructed of reinforced concrete construction. The building was constructed in 1928 and rehabilitated and re-constructed in 1980. It is a modem building with steel frame structure that meets the city's 104F code requirements for seismic retrofitting. Less than 5% of the original building remains without upgrading or reinforcing.

The building contains 40 one-bedroom, one-bath apartments with six different floorplans and an average size of 516 square feet and 1, two-bedroom, two-bath manager's unit (957 square feet). The manager's unit is accessible from either the first or second floor. Four built-out handicapped units are on the first floor.

All units have a call buzzer. The corridors on all floors have handrails and each floor is painted a different color to assist with tenant orientation. There are two main stairwells at the project, one located toward the front of the building, and one towards the back of the building. The front stairwell was renovated during the rehabilitation and complies with current building code. The rear stairwell is part of the original construction and does not comply with current code requirements in terms of rise, run and minimum clearance dimension. Since the second stairwell is a legal non-conforming use, there is no requirement to bring it up to current code. The building has a sprinkler system and there is a trash chute located on each floor. The units are serviced by hydronic baseboard heaters providing heat to the residential units. There is no air conditioning, which is common for the area. All electric and gas is master metered. The cost to individually meter the units, given the concrete construction, would be prohibitive.

The basement level contains a laundry room with two washers and two dryers and a furnished recreation room with a kitchen and a toilet. There is a sliding glass door to a landscaped walkway outside the recreation room. The building is security locked. There is no on-site parking available.

C. Rehabilitation Work and Improvements

A major rehabilitation was done to the project in 1980. The estimated cost of rehabilitation to be completed in 2001 is $619,992 or $15,122 per unit. An additional $394,555 is expected to be expended over the remaining life of the loan. The immediate rehabilitation work is based on the Physical Needs Assessment prepared by Catherine Dolph & Associates on May 10, 2000 and includes:

- Paint the exterior buildings
- Caulk and seal existing windows
- Remove and replace built up roofing
- Upgrade handicap units.
- New carpet and vinyl in units and common areas
- Improve lighting at exterior access doors and in the units.
- Add telephone in elevator, upgrade elevator electronic eyes to infrared and remount signage.
- Replace appliances in units.
- Add GFCI outlets in units
- Replace countertops in kitchens

D. Relocation

No relocation expense is estimated, since all repairs and replacement will be completed with the tenants in place.

Project Location

The site is a rectangular parcel located between Jones and Leavenworth Street on the east side of the street in the southern portion of the Tenderloin neighborhood of San Francisco. The project is located in the Tenderloin area of San Francisco in a transitional area that has experienced significant improvements in recent years.

The Tenderloin District is situated in the southwest section of downtown San Francisco, adjacent and west of the Civic Center District, southwest of the Union Square retail area and three blocks southeast of the Polk Street retail district. The primary market area ("PMA") for the project and the heart of the Tenderloin District is bounded by Golden Gate Avenue to the south, O'Farrell Street to the north, Polk Street to the west and Mason Street to the east.

The Tenderloin District is primarily a residential area that contains many low income and transient residential hotels, numerous adult facilities and apartment buildings. The area has stabilized slightly over the past decade and more families have moved into the neighborhood. As a result, there has been an influx of neighborhood service retail establishments, like restaurants. Improvements to the area continue with the construction and renovation of subsidized housing projects.

MARKET:

A. Market Overview

San Francisco is the geographic center of a major metropolitan area consisting of nine counties surrounding San Francisco Bay. The Bay Area is the fourth largest metropolitan center in the United States with a population exceeding 5.7 million. The population within San Francisco proper was approximately 790,500 as of January 1, 1999, an increase of 1% from the previous year. Population levels are expected to remain stable through 2005.

The principal economic activities include finance, high technology, manufacturing and transportation. Job growth has expanded since 1995 and total jobs for 2000 are estimated to be 628,860. Unemployment in San Francisco was reported at 1.8% as of December 1999 and the median household income was $68,600, a 15.1% increase from the 1995 estimated amount of $59,600.

The housing market in San Francisco has been one of the most expensive markets in the country. High demand and a shortage of buildable lots have kept prices at roughly two times the national average. Rental rates increased dramatically in the last year. Most apartment complexes report anywhere from 6 to 40 percent increases in monthly rent levels over the past year. The vacancy rate is considered to be nonexistent, with most units occupied immediately upon turnover of the unit. The presence of rent control limits the upside potential of many in-place rents, as they may only be increased by 1-2% per year until they become vacant.

Housing starts have also increased, from a low of 1,077 in 1990, to 3,067 through October, 1999 for single-family and multi-family construction.

B. Market Demand

The number of elderly in the United States is growing at a rate twice as fast as that of the overall population. According to the California Department of Aging, there were a projected 4,969,882 people over the age of 60 residing in California. Of that number, 145,144 (3%) were in San Francisco. Rental rates in the PMA have increased by 6 to 10%. Rents for one-bedroom units range from $1,000 to $1,700 per month.

The demand for living facilities for the elderly is expected to continue to grow, as evidenced by the demographic statistics. A typical profile of a potential retirement resident indicates that approximately 70 percent of residents live within a ten-mile radius of the retirement community. This is the primary target area for retirees for this project.

There are approximately 8,700 HUD Section 8 project-based housing units in San Francisco. According to the Housing Authority, there are also 4,400 Section 8 vouchers as well as 1,680 Section 8 units managed by the Housing Authority. This is equal to a total of 14,780 units in the City of San Francisco. There is an average 5,000 to 6,000 people on the waiting list for assisted housing in San Francisco with a typical waiting period of six to thirty-six months. This project currently has a waiting list of 160 people.

***C.* Housing Supply**

In the surrounding area, no market-rate projects exist that offer studio and one-bedroom units to seniors only, without additional services. Most market-rate, senior housing developments directly provide food services, health care and other services. This project is not competitive with surrounding market rate projects.

New affordable housing is under construction or planned in the PMA. A new residential development with 175 apartment units, 8,0000 square feet of commercial space, and a 4,000 square foot childcare center was developed by the Tenderloin Housing Partners. At the comer of Ellis and Taylor Streets is a 93-unit senior apartment complex under construction by Mercy Charities. Construction is expected to be completed by early 2001.

The project offers limited amenities; the units do not contain dishwashers, balconies or on-site parking and the kitchens are small. The unit's appeal as a market rate project is average, but it meets the need for local seniors on a fixed income.

PROJECT FEASIBILITY:

A. Rent Differentials (Sec. 8 vs. Market vs. restricted)

Rent Level	Subject Project	Section 8	Mkt. Rate Avg.	Difference	Percent
One bedroom					
50%	$671	$845	$800	$129 .	84%

Since the subject is an existing complex and little displacement of existing tenants is expected, it is anticipated that minimal turnover will occur and demand for the apartments will remain strong

B. Estimated Lease-Up Period

The project has existing Section 8 tenants and minimal disruption is contemplated to the tenants by rehabilitation. The market is currently strong and normal turnover is anticipated.

OCCUPANCY RESTRICTIONS:

CHFA: 100% of the units (40) will be restricted to 50% or less of median income.

HAP Contract: Section 8 project based rents expire 2021 and the sponsor will be required to seek and accept annual renewals.

Extended Term: The project will be subject to an additional 20 years of regulatory control by CHFA with rents not to exceed 50% of median income.

ENVIRONMENTAL:

Phase I-Environmental Assessment Report was completed on May 9, 2000 by Tradwell & Rollo, Inc. Environmental & Geotechnical Consultants. No adverse findings were noted.

A seismic report was completed by Dames & Moore on May 31, 2000 for the borrower. Dames & Moore is revising the report to comply with CHFA's seismic review requirements. The final commitment will not be issued until the seismic report has been reviewed and approved by the Agency.

ARTICLE 34:

A satisfactory opinion letter will be required prior to loan close.

DEVELOPMENT TEAM:

A. Borrower's profile

The project will be owned by a to be formed 501(c)(3) corporation, a subsidiary of Mercy Properties California, a 501(c)(3) as the sole partner. Mercy Properties California is a subsidiary of Mercy Housing, Inc., a charitable 501(c)(3) corporation.

B. Contractor

The sponsor is selecting a contractor under bidding guidelines required by the City of San Francisco. Construction estimates were obtained from Roberts-Obayashi Construction, one of the contractors who is submitting a bid for the contract.

C. Architect

The scope of the rehabilitation work is minimal and an architect is not necessary.

D. Management Agent

Mercy Services Corporation, a subsidiary of Mercy Housing Inc., will be the managing agent. Mercy Services Corporation currently manages 25 projects with a total of 1,339 units. The projects are a mix of senior, family and special needs housing with 16 of the projects in San Francisco.

Project Summary

881

Date: **21-Nov-00**

Project Profile:

Project:	Padre Apartments	***Appraiser:***	Judith J. Richardson		
Locotion:	241 Jones Street		Judith J. Richardson		
	San Francisco	*Cap Rate:*	*7.00%*		
County/Zip:	**San Francisco 94102**	*Market:*	**$ 5,600,000**		
Borrower:	Mercy Housing **California**	*Income:*	**$ 5,360,000**		
GP	Mercy Housing California	*Final Value:*	**$ 5,550,000**		
		LTC/LTV:			
Program:	501(c)(3)	*Loan / Cost*	82.6%		
CHFA #:	00-037-N	***Loan / Value***	69.2%		

Project Description:

Units	41
Handicap Units	4
Bldge Type	Acq./Rehab
Buildings	1
stories	7
Gross Sq Ft	35.238
Land Sq Ft	6,156
Units/Acre	346
Total *Parking*	0
Covered Parking	0

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA First Mortgage	$3,285,000	$80,122	7.259	21
Existing Replacement Reserve	$47 1,299	$11,495	0.00%	30
Other Sources of Funds	$221,328	$5,398	0.00%	50
Tax Credit Equity	*$0*	$0		
Other Loans	*$0*	*$0*		
Other Loans	*$0*	$0	0.00%	
CHFA Bridge Loan	*$0*	*$0*	0.00%	-
CHFA HAT Loan				-

Unit Mix:

Type	**Size**	**Number**	**AMI**	Rent	**Max Income**
1 BR	516	40	50%	$671	$26,225
2BR	516	1	Manager	$842	N/A
		41			

Fees, Escrows and Reserves:

Escrows	**Basis *of* Requirements**		**Amount**	**security**
Commitment Fee	1.00%	of Loan Amount	$32,850	Cash
Finance Fee	**1.00%**	of Loan Amount	$32,850	Cash
Bond Origination Guarantee	*0.00%*	of Loan Amount	**$0**	Cash or LOC
Rent Up Account	*0.00%*	of Gross Income	*$0*	Cash
Operating Expense Reserve	0.00%	of Gross Income	*$0*	Cash or LOC
Marketing	0.00%	of Gross Income	*$0*	Cash
Annual Replacement Reserve Deposit	*$360*	per Unit	$14,760	Operations
Construction Defects Security Agreement			$15,500	**LOC**
Initial Deposit to Replacement Reserve			$42,000	Cash

Sources and Uses — Padre Apartments

SOURCES:

Name of Lender / Source	Amount	$ per unit
CHFA First Mortgage	3,285,000	80,122
CHFA Bridge Loan	0	0
Existing Replacement Reserve	471,299	11,495
Other Sources of Funds	221,328	5,398
Other Loans	0	0
Other Loans	0	0
Total Institutional Financing	3,977,627	97,015
Equity Financing		
Tax Credit Equity	-	
Contributions From Operations	-	0
Developer's Equity	-	0
Total Equity Financing	0	0
TOTAL SOURCES	3,977,627	97,015

USES:

Acquisition	2,935,000	71,585
Rehabilitation	619,992	15,122
New Construction	0	0
Architectual Fees	35,000	854
Survey and Engineering	20,000	488
Const. Loan Interest & Fees	11,500	280
Permanent Financing	66,200	1,615
Legal Fees	10,000	244
Reserves	94,000	2,293
Contract Costs	8,500	207
Construction Contingency	48,235	1,176
Local Fees	0	0
TCAC/Other Costs	24,200	590
PROJECT COSTS	3,872,627	94,454
Developer Overhead / Profit	0	0
Project Administration	105,000	2,561
Other	0	
TOTAL USES	3,977,627	97,015

Annual Operating Budget — Padre Apartments

		% of total	$ per unit
INCOME:			
Total Rental Income	685,480	99.8%	14,280
Laundry	984	0.2%	24
Other Income	0	0.0%	-
Commercial/Retail	0	0.0%	-
Gross Potential Income (GPI)	**586,464**	**100.0%**	**14,304**
Less:			
Vacancy Loss	11,729	2.0%	286
Total Net Revenue	574,738	98.0%	14,018
EXPENSES:			
Payroll	92,138	16.7%	2,247
Administrative	50,875	9.2%	1,241
Utilities	45,196	8.2%	1,102
Operating and Maintenance	25,511	4.6%	622
Insurance and Business Taxes	13,640	2.5%	333
Taxes and Assessments	2,080	0.4%	51
Reserve for Replacement Deposits	14,760	2.7%	360
Subtotal Operating Expenses	244,200	**44.2%**	8,956
Financial Expenses			
Mortgage Payments (1st loan)	308,195	55.8%	7,517
Total Financial	308,195	**55.8%**	7,517
Total Project Expenses	562,395	**100.0%**	13,473

Cash Flow

Padre Apartments CHFA # 00-037-N

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total HAP and Tenant Pymts.	**585,480**	**595,726**	**606,151**	**616,759**	**627,552**	**638,534**	**649,709**	**661,078**	**672,647**	**684,419**
HAP Rent Increase	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*
HAP Surplus	253,296	257,729	262,239	266,828	271,498	276,249	281,083	286,002	291,007	296,100
Affordable Rent Increase	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*
Affordable Rents	332,184	337,997	343,912	349,931	356,054	362,285	368,625	375,076	381,640	388,319
TOTAL RENTAL INCOME	**585,480**	**595,726**	**606,151**	**616,759**	**627,552**	**638,534**	**649,709**	**661,078**	**672,647**	**684,419**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	984	1,009	1,034	1,060	1,086	1,113	1,141	1,170	1,199	1,229
Other Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**984**	**1,009**	**1,034**	**1,060**	**1,086**	**1,113**	**1,141**	**1,170**	**1,199**	**1,229**
GROSS INCOME	**586,464**	**596,735**	**607,185**	**617,818**	**628,638**	**639,648**	**650,850**	**662,248**	**673,846**	**685,648**
Vacancy Rate : HAP	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Vacancy Rate : Affordable	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Less: Vacancy Loss	11,729	11,935	12,144	12,356	12,573	12,793	13,017	13,245	13,477	13,713
EFFECTIVE GROSS INCOME	**574,735**	**584,800**	**595,041**	**605,462**	**616,065**	**626,855**	**637,833**	**649,003**	**660,369**	**671,935**
OPERATING EXPENSES										
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses	227,360	235,318	243,554	252,078	260,901	270,032	279,483	289,265	299,390	309,868
Replacement Reserve	14,760	14,760	14,760	14,760	14,760	15,498	15,498	15,498	15,498	15,498
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	2,080	2,122	2,164	2,207	2,251	2,296	2,342	2,389	2,437	2,486
TOTAL EXPENSES	**244,200**	**252,199**	**260,478**	**269,045**	**277,912**	**287,827**	**297,324**	**307,153**	**317,325**	**327,852**
NET OPERATING INCOME	**330,535**	**332,601**	**334,563**	**336,417**	**338,153**	**339,028**	**340,509**	**341,850**	**343,045**	**344,082**
DEBT SERVICE A										
CHFA - 1st Mortgage	308,195	308,195	308,195	308,195	308,195	308,195	308,195	308,195	308,195	308,195
CHFA - Bridge Loan	0	0	0	0	0	0	0	0	0	0
CHFA - HAT Loan	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	**22,340**	**24,406**	**26,369**	**28,222**	**29,959**	**30,833**	**32,314**	**33,656**	**34,850**	**35,888**
DEBT COVERAGE RATIO	**1.07**	**1.08**	**1.09**	**1.09**	**1.10**	**1.10**	**1.10**	**1.11**	**1.11**	**1.12**

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Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Total HAP and Tenant Pymts.	**696,396**	**708,583**	**720,983**	**733,600**	**746,438**	**759,501**	**772,792**	**786,316**	**800,077**	**814,078**
HAP Rent Increase	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*
HAP Surplus	301,282	306,554	311,919	317,377	322,931	328,583	334,333	340,184	346,137	352,194
Affordable Rent Increase	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*	*1.75%*
Affordable Rents	395,114	402,029	409,064	416,223	423,507	430,918	438,459	446,132	453,940	461,884
TOTAL RENTAL INCOME	**696,396**	**708,583**	**720,983**	**733,600**	**746,438**	**759,501**	**772,792**	**786,316**	**800,077**	**814,078**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	1,260	1,291	1,323	1,356	1,390	1,425	1,461	1,497	1,535	1,573
Other Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**1,260**	**1,291**	**1,323**	**1,356**	**1,390**	**1,425**	**1,461**	**1,497**	**1,535**	**1,573**
GROSS INCOME	**697,656**	**709,874**	**722,306**	**734,957**	**747,829**	**760,926**	**774,253**	**787,813**	**801,611**	**815,651**
Vacancy Rate : HAP	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Vacancy Rate : Affordable	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Less: Vacancy Loss	13,953	14,197	14,446	14,699	14,957	15,219	15,485	15,756	16,032	16,313
EFFECTIVE GROSS INCOME	**683,702**	**695,677**	**707,860**	**720,258**	**732,872**	**745,708**	**758,768**	**772,057**	**785,579**	**799,338**
OPERATING EXPENSES										
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses	320,714	331,939	343,557	355,581	368,026	380,907	394,239	408,037	422,319	437,100
Replacement Reserve	16,273	16,273	16,273	16,273	16,273	17,087	17,087	17,087	17,087	17,087
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	2,536	2,586	2,638	2,691	2,745	2,799	2,855	2,913	2,971	3,030
TOTAL EXPENSES	**339,522**	**350,798**	**362,467**	**374,545**	**387,044**	**400,793**	**414,181**	**428,036**	**442,376**	**457,217**
NET OPERATING INCOME	**344,180**	**344,879**	**345,393**	**345,713**	**345,828**	**344,914**	**344,587**	**344,021**	**343,203**	**342,121**
DEBT SERVICE A										
CHFA - 1st Mortgage	308,195	308,195	308,195	308,195	308,195	308,195	308,195	308,195	308,195	308,195
CHFA - Bridge Loan	0	0	0	0	0	0	0	0	0	0
CHFA - HAT Loan	0	0	0	0	0	0	0	0	0	0
CASH FLOW after debt service	**35,986**	**36,684**	**37,198**	**37,518**	**37,634**	**36,720**	**36,392**	**35,826**	**35,009**	**33,927**
DEBT COVERAGE RATIO	**1.12**	**1.12**	**1.12**	**1.12**	**1.12**	**1.12**	**1.12**	**1.12**	**1.11**	**1.11**

Cash Flow

RENTAL INCOME	Year 21
Total HAP and Tenant Pymts.	**828,324**
HAP Rent Increase	*1.75%*
HAP Surplus	238,574
Affordable Rent Increase	*1.75%*
Affordable Rents	469,967
TOTAL RENTAL INCOME	**708,541**
OTHER INCOME	
Other Income Increase	*2.50%*
Laundry	1,612
Other Income	N/A
TOTAL OTHER INCOME	**1,612**
GROSS INCOME	**710,153**
Vacancy Rate : HAP	*2.00%*
Vacancy Rate : Affordable	*2.00%*
Less: Vacancy Loss	14,203
EFFECTIVE GROSS INCOME	**695,950**
OPERATING EXPENSES	
Annual Expense Increase	*3.50%*
Expenses	452,398
Replacement Reserve	17,941
Annual Tax Increase	*2.00%*
Taxes and Assessments	3,091
TOTAL EXPENSES	**473,430**
NET OPERATING INCOME	**222,520**
DEBT SERVICE A	
CHFA - 1st Mortgage	179,780
CHFA - Bridge Loan	0
CHFA - HAT Loan	0
CASH FLOW after debt service	**44,877**
DEBT COVERAGE RATIO	**1.24**

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Padre Apartments

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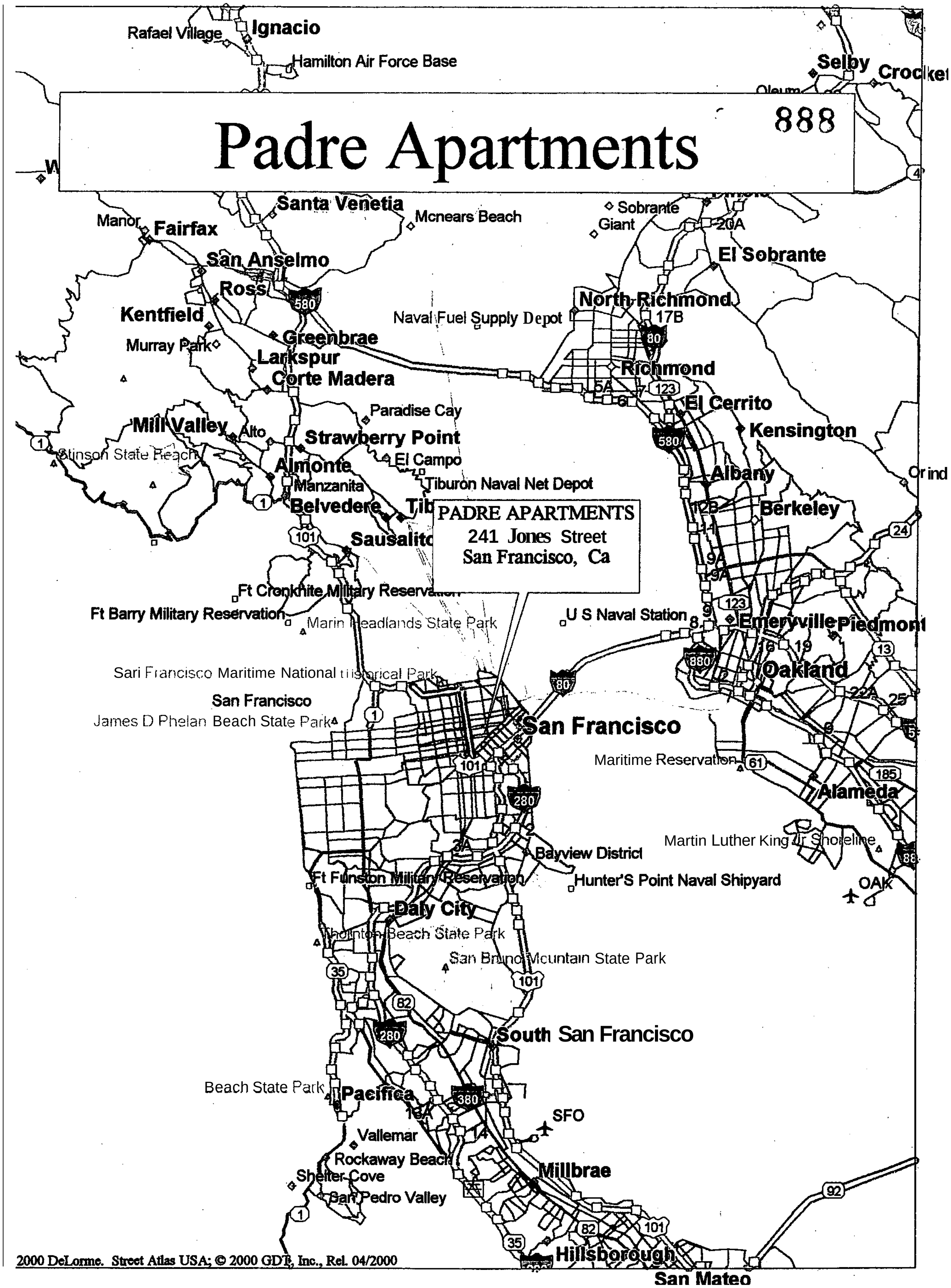

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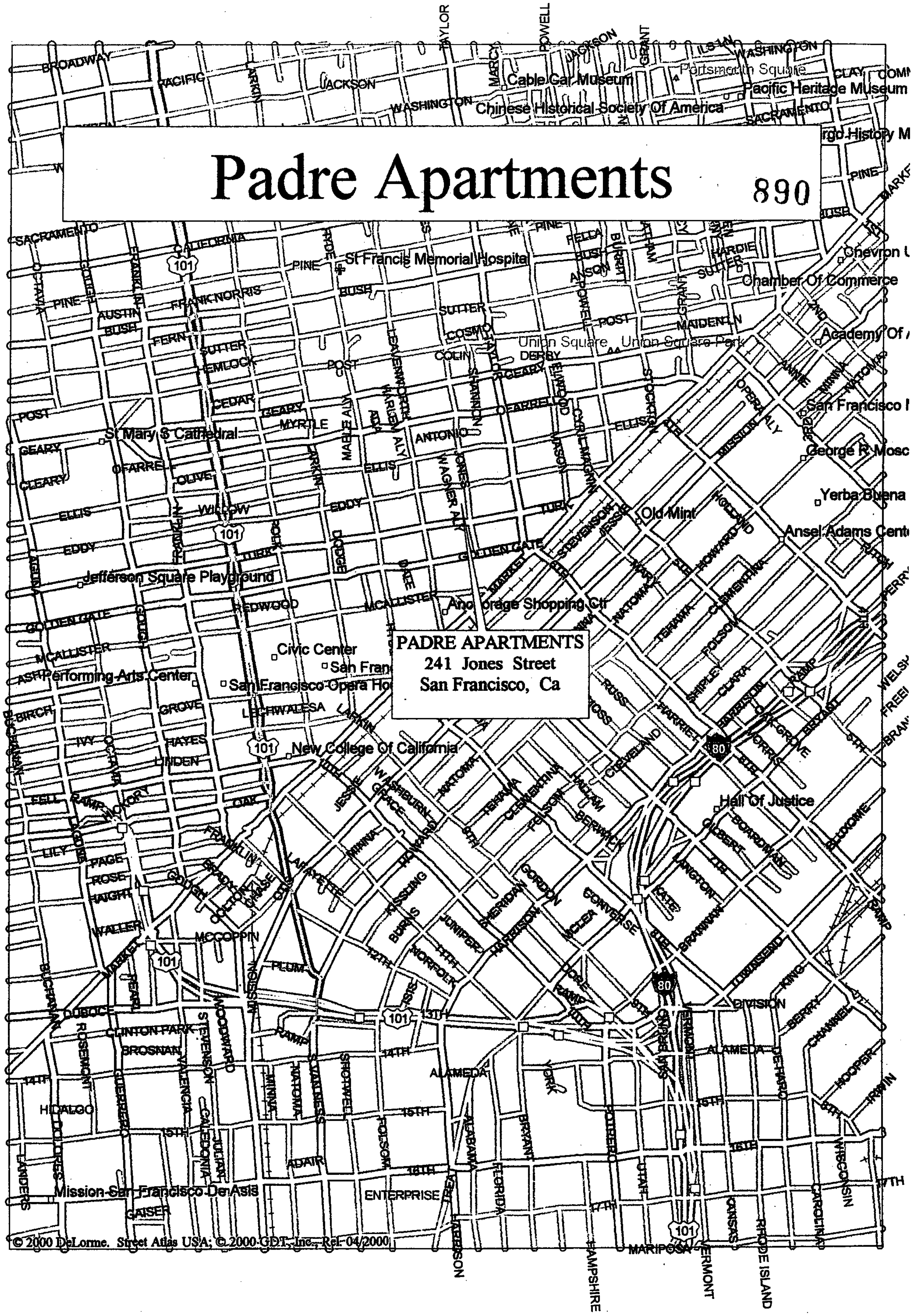
Padre Apartments 890



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RESOLUTION 00-40

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Mercy Properties, a California 501(c)(3) corporation (the "Borrower"), seeking a loan commitment under the Agency's 501(c)(3) Program in the mortgage amounts described herein, the proceeds of which are to be used to provide mortgage loans for a 41-unit multifamily housing development located in the City of San Francisco to be known as Padre Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated November 21, 2000 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Agency, as the issuer of tax-exempt bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on November 21, 2000, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a final loan commitment be made for the Development.

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to the recommended terms and conditions set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNTS
00-037-N	Padre Apartments San Francisco/San Francisco	41	$3,285,000

2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to increase the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final commitment, including increases in mortgage amount of more than seven percent (7%), must be submitted to this Board for approval. "Material modifications" as used herein means modifications which, when made in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, change the legal, financial or public purpose aspects of the final commitment in a substantial or material way.

I hereby certify that this is a true and correct copy of Resolution 00-40 adopted at a duly constituted meeting of the Board of the Agency held on December 7, 2000, at Millbrae, California.

ATTEST:______________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Loan Modification
Final Commitment
Britton Street Family Housing
CHFA Ln. # 97-033-N

SUMMARY:

This is a request to modify the terms and conditions of the permanent loan on Britton Street Family Housing, a recently completed 92 unit family apartment project located at 150 Britton Street in San Francisco. The permanent loan closed on November 16, 2000, however, due to tax credit eligibility considerations an incremental increase to the bridge loan is required.

LOAN TERMS:

	Existing Terms	Modified Terms
1st Mortgage Amount:	$4,790,000	$5,175,000
Interest Rate:	6.0%	6.0%
Term:	15 year fully amortized	15 year fully amortized.
Financing:	Tax-Exempt	Tax-Exempt
2ND Mortgage Amount: (Bridge)	$2,900,000	$3,150,000
Interest Rate:	*6.0%*	*6.0%*
Term:	2 years	1 year

PROJECT BACKGROUND

Britton Street Family Apartments is a 92-unit development that was approved by the CHFA Board on January 8, 1998. During the course of construction the project suffered from cost over-runs of approximately $700,000 and project management issues. Project management was resolved with the addition of Mercy Housing, Inc. to the partnership as a co-general partner. The project financing was resolved with the Mayor's Office of

Housing providing additional equity, Bank of America extending their construction loan period and waiving penalty fees, the equity investor, Enterprise, adjusting the investment schedule to not cause a default, and CHFA agreeing to increase the bridge loan an additional $100,000. The project schedule was readjusted with additional inspector monitoring by all parties to ensure completion based upon agreed timeframes.

LOCALITY INVOLVEMENT:

A Memorandum of Understanding ("Memorandum") dated February 14,1995 was signed by the City and County of San Francisco, and the United States Department of Housing and Urban Development ("HUD"). The goal of the Memorandum was to coordinate and cooperate on housing, physical, economic and social service improvements for Visitacion Valley. HUD agreed to focus on improving the quality of housing and living conditions in Visitacion Valley. HUD further agreed to implement their plan proposed for Geneva Towers in July, 1994, which called for the demolition of Geneva Towers and the sale of the land to the City of San Francisco for $1 for affordable housing. HUD also committed to allocate funds for 150 units of Section 8 for family housing and 50-100 units for senior housing. The Section 8 contracts have been granted by the housing developer and is effective for 15 years from the date of occupancy. This project is the recipient of the Section 8 contracts in Visitacion Valley.

A loan through the City of San Francisco, Mayor's Office of Housing has been obtained in the amount of $6,997,640. The interest rate is 3.0% for a term of 40 years with payments based on residual receipts.

Lender	Loan Amount	Repayment Terms	Term	Interest Rate
City of San Francisco	$6,997,640	residual receipts, simple interest	40	3.00%

SITE AND PROJECT:

A. Project Status:

The project was completed in April, 2000 and is fully occupied with a waiting list.

B. Site Design:

The project consists of sixty-three 850 square foot two bedroom/one bath units; twenty-one, 1,100 square foot, three bedroom/two bath units, and eight, 1,300 square foot, four bedroom/two bath units. The units are contained in 32 attached two and three story buildings clustered around shared courtyards of eight to ten units. The cluster shares enclosed garage parking, a secured central garden and facilities for laundry and garbage. Each unit has a private yard or deck.

The project also includes a 1,500 square foot community center room, incorporating bathroom and kitchen facilities, accommodations for tenant meeting and activities, and offices for management staff and service coordination. A 2,300 square foot day care center and outdoor play area is located adjacent to the community center. Head Start is operating the center which is designed to serve 40 children.

C. Project Location:

The project is just west of Highway 101, providing easy access to the San Francisco Bay Area. The project is in a residential neighborhood just a few blocks south of Bayshore Boulevard. Vehicular access is from Sunnydale Avenue onto two new private streets which will align with Britton and Loehr Streets. These entrances do not permit through traffic, but do provide views through the development to Sunnydale Avenue.

The neighborhood includes a mixture of single-family and moderate to high density apartment buildings. The site is bounded on the north, east and west by two story wood frame homes. One project to the west of the project is the Sunnydale Housing Project, which consists of two story buildings. The Sunnydale Housing Project is undergoing significant landscaping and other improvements. On the south, the project is bounded by Sunnydale Avenue. At the southwest comer of Scherwin and Sunnydale Avenues is Geneva Towers which is scheduled to be demolished in early 1988. Fronting Sunnydale Avenue, opposite the project is a two-story town house development.

The John McLaren Park, one of the largest parks in San Francisco and the Hertz playground are nearby. Included in these recreational area are a pool, sports fields, and a playground. There is neighborhood shopping nearby. There are two public middle schools and two private elementary schools within a half-mile radius of the project. There are several buslines that run along Sunnydale and Geneva Avenue, which provide direct access to several other areas of the City as well as connections to regional transportation systems such as BART or CalTrain.

OCCUPANCY RESTRICTIONS:

CHFA:	20% of the units (19) are restricted to 50% or less of median income
City of S.F.:	HOME program agreement dated 8/4/98 states 46 units at 50% and 46 units at 60%
HUD:	100% of the units (92) are restricted to project based Section 8 rents for the term of the loan, with tenants paying no more than 30% of median income.
TCAC:	100% of the units (92) are restricted to 60% or less of median income.

DEVELOPMENT TEAM:

A. Borrower's profile

The ownership entity is Britton Street Associates, a California limited partnership with co-general partners, Housing Conservation and Development Corporation and Mercy Properties, Inc.

B. Contractor

The contractor is Nibbi-Lowe Construction, J.V., a joint venture between Nibbi Brothers Construction as the main General Contractor with 51% of the interest and Ernie Lowe & Sons, a certified minority business enterprise with 49% of the interest. Nibbi Lowe Construction was established in 1977. They have been responsible for the construction or rehabilitation of 353 affordable units in 7 projects with loans totaling $20,921,258.

C. Architect

Michael Willis & Associates Architects was founded in 1988 and has offices in San Francisco and Oakland. They are a full service firm specializing in both public and private clients.

D. Management Agent

The John Stewart Company, founded in 1978, manages the property. The John Stewart Company manages a portfolio which exceed 10,000 units in over 120 properties throughout Northern California with 560 employees. They specialize in low income properties and in some of the projects, Mr. Stewart serves as the general partner/owner.

Project Summary

Date: **4-Jun-99**

Project Profile:

Project : Britton Street Family Housi *Appraiser:* Chris Carneghi
Location: 150 Britton Street
San Francisco
Cap Rate: 10.00%
County: San Francisco *Market:* $
Borrower: Britton Street Associates *Income:* $
GP: Housing Conservation and Development Corporation Final *Value:* $ 8,300,000
LP: Enterprise
Program Tax Exempt
CHFA #: 97-033-N

LTC/LTV:
Loan / Cost 30.1%
Loan / Value 62.3%

Project Description:

Units/Acre	92
Handicap Units	3
Bldge Type	New Construction
Buildings	32
stories	2
Gross *Sq Ft*	114,333
Land Sq Ft	160,159
Units/Acre	33
Total Parking	122
Covered Parking	92

Financing Summary:

	Amount	Per Unit	Rate	Term
CHFA	$ 5,175,000	$55,645	6.00%	15
Tax Credit Bridge	$ 3,150,000	$33,871	6.00%	1
Mayor's office of Housing, San Francisco	$ 6,727,615	$72,340	3.00%	40
Mayor's Office of Housing, San Francisco	$ 700,000	$7,527	3.00%	55
Deferred Developer Fee	$ -	$0	N/A	N/A
Tax Credits	$ 4,826,770	$51,901	N/A	N/A

Unit Mix:

Size	Number	AMI	Rent	Max Income
4Br/2Ba	4	Sec 8	$1,327	$29,000
4Br/2Ba	4	Sec 8	$1,010	$34,000
3Br/2Ba	10	Sec 8	$1,264	$32,200
3Br/2Ba	11	Sec 8	$910	$38,640
2Br/1Ba	32	Sec 8	$931	$34,800
2Br/1Ba	30	Sec8	$810	$41,760
2Br/1Ba	1	Mgr.	$0	N/A
	92			

Fees, Escrows and Reserves:

Escrows	Basis of Requirements	Amount	Security
Commitment Fee	1.00% of Loan Amount	$83,250	Cash
Finance Fee	1.00% of Loan Amount	$83,250	Cash
Bond Origination Guarantee	0.00% of Loan Amount	$0	Letter of Credit
Rent Up Account	8.00% of Gross Income	$91,522	Letter of Credit
Operating Expense Reserve	10.00% of Gross Income	$103,967	Letter of Credit
Marketing	4.63% of Gross income	$48,095	Letter of Credit
Annual Replacement Reserve	$400 perunit	$36,800	Operations

Britton Street Family Housing

SOURCES:

Name of Lender / Source	Amount	$ per unit
CHFA	5,175,000	56,250
HOME Loan	5,679,840	61,737
CDBG Loan	2,276,600	24,746
Total Institutional Financing	**13,131,440**	**142,733**
Equity Financing		
Tax Credits	4,709,482	51,190
Deferred Developer Fee	0	0
Total Equity Financing	**4,709,482**	**51,190**
TOTAL SOURCES	**17,840,922**	**193,923**

USES:

Acquisition	2,203,540	23,952
Rehabilitation	0	0
New Construction	12,095,606	131,474
Architectual Fees	662,221	7,198
Survey and Engineering	72,056	783
Const. Loan Interest & Fees	922,767	10,030
Permanent Financing	368,500	4,005
Legal Fees	44,275	481
Reserves	612,706	6,660
Appraisal Costs	14,000	152
Construction Contingency	0	0
Fees and Reports	661,866	7,194
Soft Cost Contingency	74,266	807
PROJECT COSTS	**17,731,803**	**192,737**
Developer Fee	0	0
Consultant/Processing Agent	63,369	689
Sponsor Admin Costs	45,750	497
TOTAL USES	**17,840,922**	**193,923**

Annual Operating Budget

Britton Street Family Housing

		% of total	$ per unit
INCOME:			
Total Rental Income	1,202,616	99.6%	13,072
Laundry	4,416	0.4%	48
Gross Potential Income (GPI)	1,207,032	100.0%	13,120
Less:			
Vacancy Loss	19,088	1.6%	207
Total Net Revenue	1,187,944	98.4%	12,912
EXPENSES:			
Payroll	158,187	14.2%	1,719
Administrative	61,812	5.5%	672
Utilities	75,420	6.7%	820
Operating and Maintenance	212,316	19.0%	2,308
Insurance and Business Taxes	49,200	4.4%	535
Taxes and Assessments			
Reserve for Replacement Deposits	36,800	3.3%	400
Subtotal Operating Expenses	693,735	53.1%	6,484
Financial Expenses			
Mortgage Payments (1st loan)	524,035	46.9%	5,696
Total Financial	824,035	46.9%	6,696
Total Project Expenses	1,117,770	100.0%	12,150

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Cash Flow

Britton Street Family Housing — CHFA # 97-033-N

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
RENTAL INCOME								
HUD Section 8 Increase	*1.60%*	*1.60%*	*1.60%*	*1.60%*	*1.60%*	*1.60%*	*1.60%*	*1.60%*
HUD Section 8 Rents	1,031,592	1,048,097	1,064,867	1,081,905	1,099,215	1,116,803	1,134,672	1,152,826
TCAC Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
TCAC Rents	171,024	175,300	179,682	184,174	188,778	193,498	198,335	203,294
TOTAL RENTAL INCOME	**1,202,616**	**1,223,397**	**1,244,549**	**1,266,079**	**1,287,994**	**1,310,301**	**1,333,007**	**1,356,120**
OTHER INCOME								
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Laundry	4,416	4,504	4,594	4,686	4,780	4,876	4,973	5,073
Other Income	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**4,416**	**4,504**	**4,594**	**4,686**	**4,780**	**4,876**	**4,973**	**5,073**
GROSS INCOME	**1,207,032**	**1,227,901**	**1,249,144**	**1,270,765**	**1,292,774**	**1,315,176**	**1,337,980**	**1,361,193**
Vacancy Rate : Sec. 8	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	19,088	19,246	19,633	20,028	20,431	20,843	21,263	21,693
EFFECTIVE GROSS INCOME	**1,187,944**	**1,208,655**	**1,229,511**	**1,250,738**	**1,272,343**	**1,294,334**	**1,316,717**	**1,339,500**
OPERATING EXPENSES								
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	572,823	595,736	619,565	644,348	670,122	696,927	724,804	753,796
Replacement Reserve	36,800	36,800	36,800	36,800	36,800	36,800	36,800	36,800
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0	0	0	0
TOTAL EXPENSES	**609,623**	**632,536**	**656,365**	**681,148**	**706,922**	**733,727**	**761,604**	**790,596**
NET OPERATING INCOME	**578,321**	**576,120**	**573,145**	**569,590**	**565,421**	**560,607**	**555,113**	**548,904**
DEBT SERVICE								
[illegible]	524,035	524,035	524,035	524,035	524,035	524,035	524,035	524,035
CHFA - B Loan	189,000	0	0	0	0	0	0	0
Other Amortizing Loans								
CASH FLOW after debt service	**54,286**	**52,084**	**49,110**	**45,555**	**41,386**	**36,572**	**31,078**	**24,869**
DEBT COVERAGE	**1.10**	**1.10**	**1.09**	**1.09**	**1.08**	**1.07**	**1.06**	**1.05**

Cash Flow

RENTAL INCOME	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
HUD Section 8 Increase	*1.60%*	*1.60%*	*1.60%*	*1.60%*	*1.60%*	*1.60%*	*1.60%*
HUD Section 8 Rents	1,171,272	1,190,012	1,209,052	1,228,397	1,248,051	1,268,020	1,288,309
TCAC Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
TCAC Rents	208,376	213,586	218,925	224,398	230,008	235,758	241,652
TOTAL RENTAL INCOME	**1,379,648**	**1,403,598**	**1,427,977**	**1,452,795**	**1,478,060**	**1,503,779**	**1,529,961**
OTHER INCOME							
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Laundry	5,174	5,278	5,383	5,491	5,601	5,713	5,827
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**5,174**	**5,278**	**5,383**	**5,491**	**5,601**	**5,713**	**5,827**
GROSS INCOME	**1,384,822**	**1,408,875**	**1,433,360**	**1,458,286**	**1,483,660**	**1,509,491**	**1,535,788**
Vacancy Rate : Sec. 8	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*	*1.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	22,132	22,579	23,037	23,504	23,981	24,468	24,966
EFFECTIVE GROSS INCOME	**1,362,690**	**1,386,296**	**1,410,324**	**1,434,782**	**1,459,679**	**1,485,023**	**1,510,822**
OPERATING EXPENSES							
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	783,948	815,306	847,918	881,835	917,108	953,792	991,944
Replacement Reserve	36,800	36,800	36,800	36,800	36,800	36,800	36,800
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0	0	0
TOTAL EXPENSES	**820,748**	**852,106**	**884,718**	**918,635**	**953,908**	**990,592**	**1,028,744**
NET OPERATING INCOME	**541,943**	**534,190**	**525,606**	**516,148**	**505,771**	**494,431**	**482,078**
DEBT SERVICE							
CHFA - A Loan	524,035	524,035	524,035	524,035	524,035	524,035	524,035
CHFA - B Loan	0	0	0	0	0	0	0
Other Amortizing Loans							
CASH FLOW after debt servic	**17,907**	**10,155**	**1,571**	**(7,888)**	**(18,264)**	**(29,604)**	**(41,957)**
DEBT COVERAGE	**1.03**	**1.02**	**1.00**	**0.98**	**0.97**	**0.94**	**0.92**

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RESOLUTION 00-41

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT MODIFICATION

WHEREAS, the California Housing Finance Agency (the "Agency") previously received a loan application from Housing Conservation and Development Corporation, a California nonprofit corporation on behalf of Britton Street Associates, a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program, the proceeds of which were to be used to provide a mortgage loan for a development to be known as Britton Street Family Housing (the "Development"); and

WHEREAS, the Agency Board of Directors (the "Board") authorized, pursuant to Resolution 98-02, a final loan commitment for the Development; and

WHEREAS, a modified loan application has now been submitted by the Borrower and reviewed by Agency staff which has prepared its report dated November 21, 2000 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a modified final loan commitment be made for the Development.

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to the recommended terns and conditions set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	MORTGAGE AMOUNT
97-033-N	Britton Street Family Housing San Francisco/San Francisco	92	$5,175,000
		Tax-Exempt Bridge:	$3,150,000

2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to

modify the mortgage amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

3. All other material modifications to the final commitment, including changes in mortgage amount of more than seven percent (7%), must be submitted to the Board for approval. "Material modifications" as used herein means modifications which, in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, change the legal, financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 00-41 adopted at a duly constituted meeting of the Board of the Agency held on December 7, 2000, at Millbrae, California.

ATTEST:______________
Secretary

State of California

MEMORANDUM

To: **CHFA Board Of Directors** Date: November **21,** 2000

Richard A. LaVergne, Chief Deputy

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Contract Marketing Services Resolution

Background:

On October **30,** 2000 the California Housing Finance Agency released a Request For Proposal (RFP) to obtain the services of a contractor or contractors to provide public relations, advertising and marketing services in support of the School Fee Down Payment Assistance Program and the School Facility **Fee** Reimbursement Program For Rental Housing Developments.

These School **Fee** Housing Programs were authorized by **SB 50** and Proposition 1A in 1998 to provide downpayment assistance to new construction homebuyers under three programs and to provide reimbursement of school fees paid by developers of new rental housing. $160 million was appropriated through December 31, **2002** in support of the programs.

In July, 2000, the Down Payment Assistance portion of the governing statutes were amended to improve the marketability of the Program by increasing the qualifying sales price under Program **2** to $130,000 and expanding the definition of First Time Homebuyer under Program 3 **to** include moderate income borrowers.

Marketing Services:

The RFP proposes to further market the homeownership and rental assistance programs statewide through the services of experienced firm(s) with plans that may include a broad spectrum of marketing efforts, such **as:** public relations, advertising production, media buying, **and** ***co-op*** marketing programs. Up to **$2** million over a two year period within the $160 million appropriation is available for **these** efforts.

Since the contractual services for **this Program** may exceed the $500,000 limit that is generally delegated **to** the Executive Director under existing regulation, **this** resolution authorizes the Director to enter into contracts up to the **$2** million amount as described.

Your approval of this resolution will allow the Director **to** obtain the needed marketing services by the end of the calendar year as proposed in the **RFP.**

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RESOLUTION 00-42

EXECUTIVE DIRECTOR'S AUTHORITY TO ENTER INTO CONTRACTS TO MARKET THE AGENCY'S SCHOOL FACILITY FEE AFFORDABLE HOUSING ASSISTANCE PROGRAMS

WHEREAS, Senate Bill 50, the Leroy F. Greene School Facilities Act of 1998, which added Chapter *9* (commencing with Section 51450) to Part 3 of Division 31 of the California Health and Safety Code, and Resolution ***99-09,*** adopted by the Agency Board of Directors on January 14, 1999, authorized the Agency to administer the School Facility Fee Affordable Housing Assistance Programs ("School Facility Fee Programs"); and

WHEREAS, to utilize the funds provided by the School Facility Fee Programs in meeting the affordable housing needs of Californians, it is necessary to raise the public and industry awareness of the programs; and

WHEREAS, the Agency is in the process of reviewing various marketing proposals submitted by marketing and public relations firms; and

WHEREAS, it is possible that contract(s) to provide such marketing efforts may exceed the $500,000 contract authority provided to the Executive Director pursuant to Section 13302(b) of Title **25** of the California Code of Regulations; and

WHEREAS, the Board of Directors of the Agency may authorize the Executive Director to enter into contracts which exceed the $500,000 limit,

NOW, THEREFORE, **BE** IT RESOLVED by the **Board** of Directors of the Agency as follows:

1. The Agency, after review of the marketing proposals submitted in reference to the School Facility Fee Programs, may select a marketing and/or public relations firm or firms to carry out the marketing of the programs.

2. The Executive Director is authorized to enter into any and all contracts necessary, which may exceed the monetary limit imposed by Section 13302(b) of Title 25 of the California Code of Regulations, to implement the marketing of the programs.

Resolution 00-42
Page 2

I hereby certify that this is a true and correct copy of Resolution 00-42 adopted at a duly constituted meeting of the Board of Directors of the California Housing Finance Agency held on December 7, 2000, at Millbrae, California.

ATTEST:________________
Secretary

COURT PAPER
STATE OF CALIFORNIA
STD 113 (REV. 8-72)

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Swaps and Housing Finance

a Presentation to
the Board of Directors of
the California Housing Finance Agency
December 7, 2000

Swap Financial Group
Peter Shapiro, Managing Director
76 South Orange Avenue, Suite 6
South Orange, New Jersey 07079
_973-378-5500_

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Historical context

Prior to Use of Swaps:

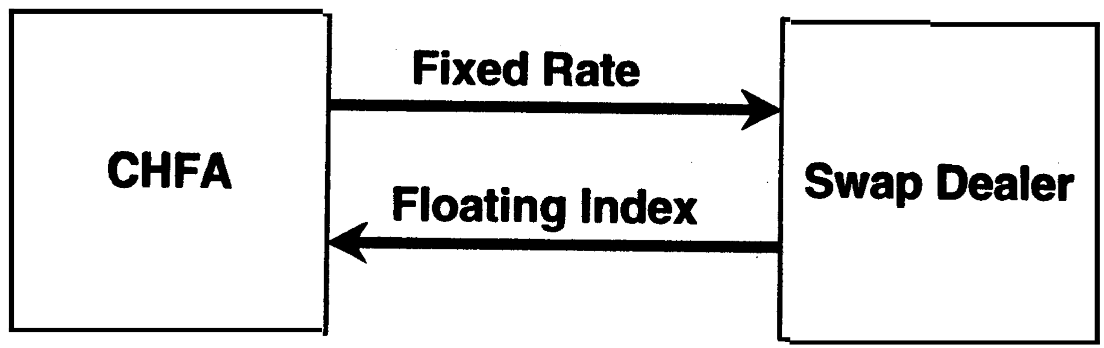
- Bond volume cap put limits on tax-exempt funding
- Taxable bonds needed to meet demand
- To lower taxable costs, CHFA used floaters
- Capacity for unhedged floaters is limited

Since Use of Swaps:

- Lower funding cost, both taxable and tax-exempt
- More taxables could be blended in, without hurting mortgage rates
- 67% more single-family mortgages available
- Lower cost multifamily mortgages

Basic swap structure

Underlying situation: CHFA issues floating rate bonds (VRDOs). It converts to fixed rate with the swap. All-in rate, inclusive of all costs, can be less than alternative of issuing fixed rate bonds.



Note: Floating Index will fluctuate with broad market averages. CHFA's VRDOs – as a single, specific deal – may differ.

Math: Swaps vs. Bonds

Bonds	S[illegible]
Fixed coupon	[illegible]ating bond rate
+ Amortized cost of issuance	+ [illegible]nual costs of [illegible]oater (remarketing and liquidity)
	+ Fixed swap rate
	– Floating swap rate
= All-in cost	= A[illegible]-in cost

Plug in some numbers

Bonds

- 5.50% (fixed coupon)
- +0.05% (amortized cost of i [redacted])
- = 5.55% (all-in cost)

Swap

- VR% (floating bond rate)
- +0.20% (remarketing and liquidity)
- + 5.00% (fixed swap rate)
- – VR + 0.10% (floating swap rate)
- = 5.10% (all-in cost)

Why does it work?

- Counter-intuitive: Why should three steps (issue floating, receive floating, pay fixed) be more efficient than one (issue fixed)
- Swaps allow you to “unbund ” and take advantage of relative efficiencies of diff ent markets
- Market sensitive: It doesn’t always work

Flexibilities produce efficiency

<u>Bonds</u>

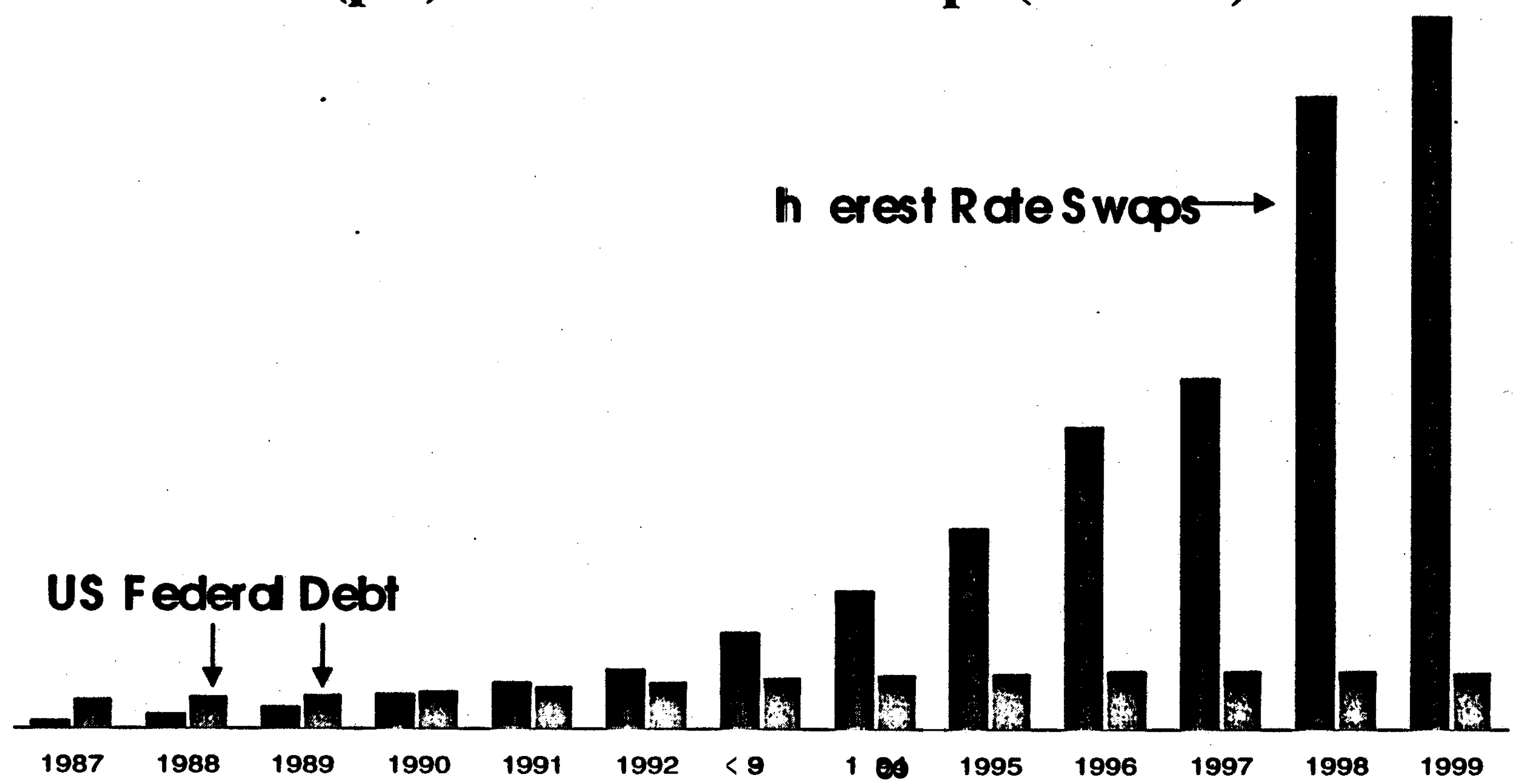
- Mass market approach
- Federa /State securities laws
- Timing lags
- Bundled risks

<u>Swaps</u>

- Two-party agreements
- 'LEGO pieces"
- Instantaneous execution
- Unbund ed risks

A Huge, Liquid Market

Federal debt (par) vs. Interest rate swaps (notional)



Swap Group

Alan Greenspan speaks

- "The reason that growth has continued despite adversity, or perhaps because of it, is that these new financial instruments are an increasingly important vehicle for unbundling risk. These instruments enhance the ability to differentiate risk and allocate it to those investors most able and willing to take it.'
- 'The greater use of OTC derivatives doubtless reflects the attractiveness of customized over standard products ... "As we approach the twenty-first century, ... I am quite confident that market participants will continue to increase their reliance on derivatives to unbundle risks ..."

Swap market participants

Dealers

Arbitrageurs
& Speculators

End Users

Role of the swap dealer

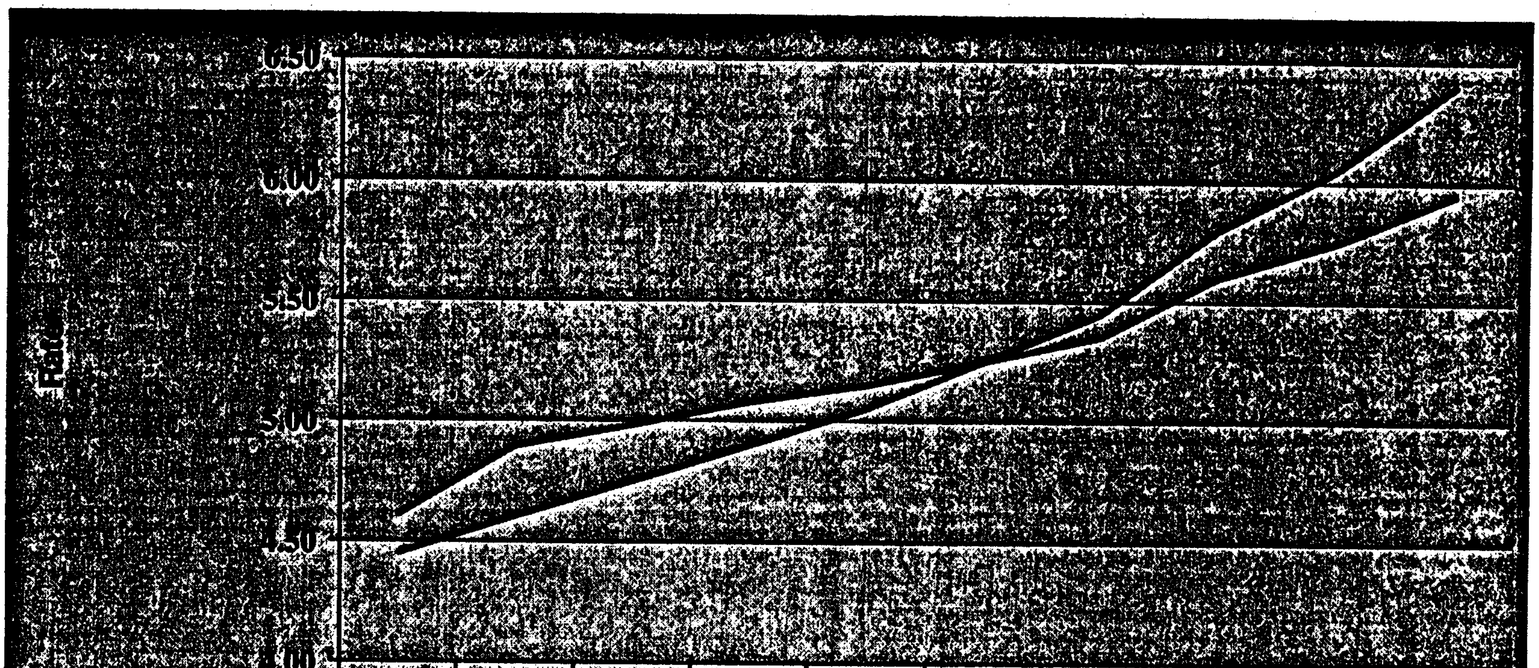
- Unable to perfectly match client trades
- Must be "market maker"
- Credit intermediation – one end-user is not exposed to another's credit
- Processing, bookkeeping, payment calculation

Exploiting market inefficiencies

CHFA can take advantage of two key market inefficiencies

- Fixed bond rates vs. fixed swap rates
  - Housing bond rates tend to be high, while long-term fixed swap rates are often low
- Floating bond rates vs. floating swap indexes
  - California floating bond rates tend to be lower than floating swap indexes

Snapshot: Bonds vs Swaps



	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year	15 Year	20 Year	30 Year
Housing Bond	4.45	4.60	4.75	4.90	5.05	5.25	5.45	5.80	6.05	6.40
BMA Swap	4.61	4.89	4.98	5.08	5.15	5.25	5.35	5.60	5.75	5.95

Why fixed rates differ

- Bonds relatively cheaper (higher yielding) as maturities lengthen
- Long-term bond market less liquid, depends on fewer buyers
- Prospect of change in tax treatment
- Housing bond calls

California floating rate premium

- Floating rates on swaps are based on indexes
- Indexes are devised by a ranging nationally
- California's tax-exempt VRDOs chronically trade at lower rates than national
- CHFA's swaps are structured to take advantage of this differential: CHFA <u>pays</u> the California rate on its bonds, but <u>receives</u> the national rate on its swaps

California VRDOs

- Two factors drive California's floating rate premium
  - State income tax
  - Large number of wealthy investors
- To meet investor demand, fund companies have set up California-specific money market funds
- SEC rule 2(a)7: Money market funds' holdings must average 90-day maturity or less
- Excess demand for Cal VRDOs lowers rates

CHFA swap strategies

λ Taxable (LIBOR) Swaps

λ BMA Swaps

λ Percentage of LIBOR Swaps

1. Taxable (LIBOR) Swaps

- Muni taxable fixed-rate bonds trade poorly
  - xable bond market is built around large, single-maturity corporate bond issues
  - Muni taxables are smaller, illiquid, and full of provisions unfamiliar to corporate bond buyers
- Muni taxable floaters trade even with corporate market (equal to LIBOR)
  - Most floaters are puttable, so buyer has liquidity
  - Developing market: Index floaters for FHLB's

2 BMA Swaps

- The Bond Market Association's Municipal Swap Index – known as the BMA Index – is the benchmark index for tax-exempt swaps
- BMA is an average of national VRDOs
- BMA averages 30 to 50 bps higher than California VRDOs
- BMA and Cal VRDOs relative movements correspond closely

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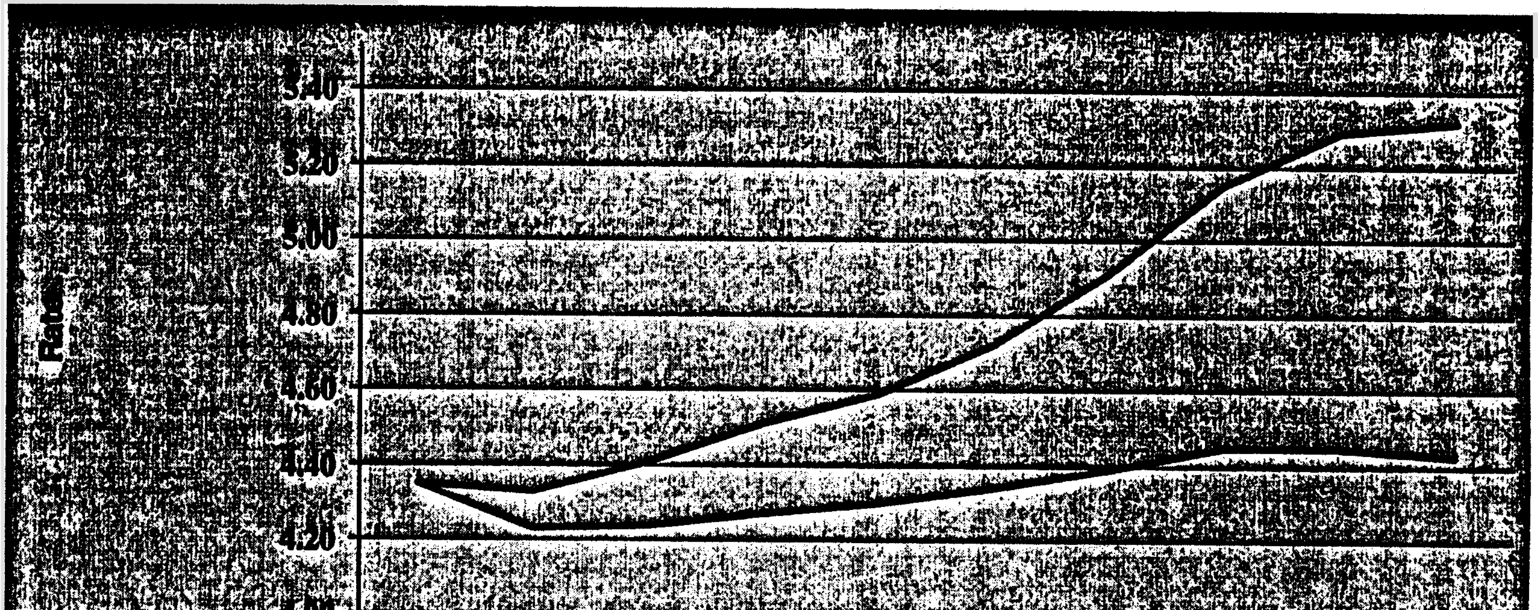
3. Percentage of LIBOR Swaps

- BMA is not a 'perfect fit' for CHFA tax-exempt VRDOs
- An alternative approximate fit is a percentage of LIBOR
  - 64% for non-AMT, 65% for AMT
- LIBOR swap curve is much flatter than BMA swap curve
- Long-term % of LIBOR swaps cost less than BMA swaps

BMA vs. 65% of LIBOR swaps



	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year	15 Year	20 Year	30 Year
65% of LIBOR	4.35	4.23	4.24	4.27	4.30	4.34	4.39	4.45	4.45	4.43
BMA Swap	4.35	4.33	4.41	4.51	4.59	4.72	4.91	5.15	5.29	5.32

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Swap Risks

- Tax risk
- Prepayment risk
- Counterparty risk (credit risk)
- Liquidity rollover risk
- Risk to CHFA downgrade
- Mispricing risk

Tax risk

- Definition: Risk that munis will lose preferential tax treatment
- Bondholder bears risk with fixed-rate bonds
- CHFA bears risk with unhedged floating rate bonds and % of LIBOR swaps
- Worst case: Muni VRDOs trade flat to LIBOR
- What happens with % of LIBOR swap: CHFA pays LIBOR on floaters, receives 65%; net loss of 35% of LIBOR

Tax risk events

- Small effect: Reduction in federal rates
- Larger effect: Exemption of all investment income
  - corporate bond interest, dividends, capital gains
  - from income tax
- Largest effect: Taxation of munis under a Flat Tax, with no grandfather clause

Prepayment risk

- Definition: Risk that bonds are redeemed due to mortgage prepayments on a schedule different from the one on he swap
- Housing bond prepayments are difficult to predict
- Swaps normally require firm principal schedules
- Potential exists for mismatch over time

Prepayment risk mitigation

- CHFA has a large, diversified portfolio and is able to manage prepayments actively
- Swaps can be targeted to bond maturities with more predictable prepayment (i.e. PAC bonds)
- Swaps can be structured with cancellation options for prepayment flexibility

Counterparty Risk

- Definition: Swap provider fails to perform or defaults
- The #1 risk -- These are long contracts
- Risk Measurement: Replacement cost, not notional principal amount

Counterparty Risk Mitigation

- Do business only with strong counterparties
  - Natural double-A's
  - Synthetic triple-A's
- Require downgrade collateralization provisions
  - amount equal to the Replacement Value
  - frequent mark-to-market of both collateral value and swap replacement value
- Get right to terminate early at CHFA's side of bid-ask spread at second downgrade threshold
- Best case: Asymmetric provisions

Liquidity rollover risk

- Definition: Risk of inability to renew liquidity facility on floating rate bonds
- VRDOs depend on third-party liquidity facilities to backstop the "put"
- Liquidity could become expensive or difficult to obtain if:
  - General credit crunch
  - Systemic banking problem
  - CHFA credit problem

Liquidity risk mitigation

Various alternative approaches exist:

- Convert bonds to index floaters
- Convert bonds to auction rate
- Convert bonds to fixed rate
- Call bonds

Swap mispricing risk

- Unlike bond pricing, the issuer has less access to price information
- Data is not widely available
- 'Che king away' doesn't work well
- Without expert assistance, the issuer is poorly equipped to negotiate

How we assist in pricing

- Best independent swap data base in the U.S.
  - Constant input from heavy deal volume
  - Continual dialogue with swap dealers
  - Interdealer trading forum
- State-of-the-art technology
  - Independent modeling capability
  - Derivatives software 'beta' site
- Recognized for 'Fairness Opinions'
  - Accepted by major law and accounting firms
  - Used for SEC- and FASB-required reports

PETER SHAPIRO

Peter Shapiro is managing director of Swap Financial Group, the leading independent advisor and arranger of derivatives in the U.S. domestic markets.

Swap Financial Group places a special emphasis on working with sophisticated clients to structure customized financial products and derivatives, and to obtain them through both competitive and negotiated arrangements, The firm is known for its ability to assure price transparency on products where price information is often scarce. Clients include corporations, non-profits and governmental agencies in the U.S. and overseas, such as major State Housing Finance Agencies, major corporations including Fannie Mae and Freddie Mac, airports, health care providers and housing developers through the U.S. Swap Financial Group handles over 100 derivative transactions annually, with notional principal totaling over $5 billion each year.

Prior to founding Swap Financial Group in 1997, Shapiro served as senior vice president of Euro Brokers, a leading derivative specialist, for five years. Before Euro Brokers, Shapiro spent six years at Citibank, where he served as a senior banker, and headed the municipal derivatives business and the public finance department. Before Citibank, Shapiro spent twelve years in government service, four at the state government level and eight as chief executive officer of New Jersey's largest county government.

Shapiro received his A.B. degree cum laude from Harvard University in 1974. He lives with his wife and 15-year-old son in South Orange, New Jersey.

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